

# Center Store: At Center Stage for Future CPG Success

ADDED NOV 24, 2010, UNDER: [SymphonyIRI Group's Times & Trends Report](#)

## “Rehabilitating Customers to Everyday Pricing”

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Promotional activity across center store categories is on the rise as CPG marketers seek to drive purchase behavior in a down economy. To date, results of these efforts have been mixed, with some categories showing favorable volume shifts with promotional support, and others continuing to experience flat or negative growth.

These high levels of promotional activity, though, have had another, perhaps less expected, impact on the CPG industry. Some consumers have become addicted to seeking out these promotional offers and are actually tailoring their shopping trips around these opportunities to save money. In fact, according to SymphonyIRI Group's August 2010 Economic Update survey, 55 percent of consumers stock up on certain products when they go on sale in order to save money. In terms of driving purchase behavior, this is a good thing, particularly across categories which respond well to merchandising support. But, in terms of achieving margin goals and building and maintaining brand equity, the results are less favorable.

CPG marketers can help wean shoppers off this affliction while still providing valuable savings, achieving margin goals and maintaining brand equity. The center store may hold the key.

Center store is an important battleground for CPG manufacturers and retailers looking to establish shelf space dominance. This area of the store represents two-thirds of CPG sales, and it has been heavily impacted by private label throughout the past several years. To overcome the strong growth of private label that occurred early in “The Great Recession,” manufacturers relied heavily on promotional activity. During the past year, these high levels of promotional activity contributed to a decline in average price per volume across center store categories, which slipped 0.6 percent. And, while private label inroads across some center store categories have softened and even stopped, overall center store unit sales growth remains rather anemic. Bottom line: This highly promotional business model is no longer viable or lucrative.

Manufacturers must strike a delicate balance, establishing effective everyday pricing that provides value and encourages purchase behavior but still delivers against corporate and partner revenue and margin goals. Understanding the price elasticity of key categories and brands is paramount to these efforts.

Another way to establish this balance is through collaboration. Much like group interventions that use the power of collaboration, marketers of national and store brands should work together to co-promote products with high purchase incidence, including complementary products targeted to expand shoppers' baskets. Manufacturers should explore partnerships with retailers and/or manufacturers that serve complementary target audiences and trip types, and design affordable, multi-category solutions that build basket size or entice consumers to sample different products.

Conservative shopping behavior is expected to continue well into 2011 and, perhaps, beyond. Researching and understanding your key and target customer base has never been more important. But, too often, manufacturers

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and retailers devote time and resources to collecting critical information about shopper attitudes and behaviors, and then apply this information about past behaviors to future strategies. This is akin to fighting a new war with old weapons. The forward-looking retailer and manufacturer will study and understand the past, but marry that knowledge with predictive analytics to more accurately forecast future shopper preferences, and anticipate and address those needs and wants.

The center store will remain a critical battleground for 2011. It is a time replete with opportunity for CPG marketers. Those marketers who are able to sober consumers' addiction to pricing discounts with innovative and value oriented marketing programs will be well-positioned to compete for shelf space and share of wallet.

For more information about center store trends, download the SymphonyIRI Group's Times & Trends Report, "Center Store: At Center Stage for Future CPG Success," at

<http://www.symphonyiri.com/Insights/Publications/TimesTrends/tabid/106/Default.aspx>