

Ahead of What's Next

Progressive GROCER

TECH TRENDS

AI-driven assortment planning

STORE DESIGN

What's next for small formats

SUSTAINABILITY

P&G's top exec talks innovation

RISE OF THE SUPER REGIONALS

- ▶ Who they are, why they are winning!
- ▶ Lowes Foods CEO **Tim Lowe** provides perspective
- ▶ How they leverage local advantage



January 2021
Volume 100, Number 1
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We know curiosity has the power to change lives. Our legacy of innovation is on display on store shelves and in virtual shopping environments, where we leverage technology to be smarter and more creative in connecting with others. It comes through loudly and clearly in our products and in a new initiative that is giving our team members' children the gift of a college education. Indeed, our passion for innovation extends well beyond the food we make.

We use our creativity to make days brighter and the world a better place, which is why we have been named one of America's most responsible companies and the recipient of a host of other awards and accolades in 2020.

Innovation is at the core of Hormel Foods. That's how we achieved the milestone of 15 percent of our sales in 2020 coming from new products created since 2015. In the last five years alone, we have launched more than 2,000 new items, had 26 products listed as Progressive Grocer Editors' Picks, won back-to-back GMA Awards for Innovation and Creativity and had several products recognized for innovation and our food-forward approach.

We take great pride in our far-reaching achievements. But at the end of the day, we are a collection of foodies, brand builders and innovators excited about our role in feeding the world.





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Kernersville DELI



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TOP Women IN GROCERY

Nominations are now open for ***Progressive Grocer's*** **2021 Top Women in Grocery** awards program, which recognizes the integral role women play across all segments of the North American retail food industry.

2021



We're honoring outstanding female leaders from the retailer/wholesaler and supplier/vendor communities in three categories:

- ▶ **SENIOR-LEVEL EXECUTIVES**
(titles of Vice President or higher)
- ▶ **RISING STARS**
(titles lower than Vice President and Area/Region Director)
- ▶ **STORE MANAGERS**
(titles of Store Manager, Store Director)

Winners will be featured in our June 2021 print issue and winners will be recognized in person at our gala in Orlando, FL in November.

Progressive GROCER

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Words to Live by in 2021

R

etailers never want to hear words like “sticky” or “leakage” used to describe any aspect of their operations. Those words bring to mind images of improperly cleaned spills, liquid oozing from bottles or dripping meat cases. Putting aside these negative visuals, “sticky” and “leakage” are words that will come up often in food retailers’ conversations in 2021, but in a much different business context and with huge implications.

“Sticky” and “leakage” are words — concepts, really — that are going to define the food and consumables world in the coming year because of the evolving pandemic situation.

We will soon lap the beginning of the pandemic, followed by what is hopefully the rapid administration of multiple vaccines to protect public health. The onset of the pandemic caused a seismic shift in consumer behavior in March that persisted for much of the year. Now the new behaviors so many of us learned are going to experience aftershocks resulting from the widespread availability of vaccines that lead to a re-evaluation of how we live, work, play and eat.

What makes “sticky” and “leakage” such important words is that no one knows for sure how all of those new behaviors learned throughout 2020 will play out in 2021, things like avoiding restaurants, altering holiday gatherings, cooking at home, ordering food online for pickup or delivery, expecting contactless experiences, and wearing face coverings. America’s grocers were beneficiaries of many of the behavioral changes and experienced unprecedented sales growth, even as some of the changes and social-distancing efforts created operational challenges and expense pressures.

So, which of the new behaviors will be sticky, how sticky will they be, and how will that stickiness affect product categories, brand preferences and retailers’ market

Retailers and suppliers have to engage in extensive scenario planning to be ready for anything, because the past year has taught us that anything is possible.

shares? No one has as much clarity as they would like regarding how things shake out this year. Demand forecasting and predicting shopper behaviors were hard enough before the pandemic, but they’re next to impossible now. As a result, retailers and suppliers have to engage in extensive scenario planning to be ready for anything, because the past year has taught us that anything is possible.

Looking forward, what’s probable is another story, and that’s where leakage comes in. The prospect of more than 100 million people receiving a vaccine in the coming months should do wonders to restore confidence in public safety and accelerate a return to the type of societal functioning we think of as normal, things like going out to dinner on Valentine’s Day, letting the kids attend an Easter egg hunt, or sitting in a movie theater to watch Tom Cruise in a remake of “Top Gun,” now scheduled for release on July 2.

“Leakage” is the enemy of “sticky” and the flip side of the COVID-19 coin. If behaviors that benefited food retailers aren’t sticky, sales will leak like a sieve back to those whose businesses were negatively affected as the pandemic dragged on.

This may come across as a simplistic assessment, and I’m hardly the first to recognize the unique situation confronting the industry. However, it can’t be stated strongly enough that this yin-and-yang concept of stickiness and leakage — the strategies retailers put in place to increase the former and minimize the latter — will have as big an impact on the industry in 2021 as the pandemic did throughout 2020. **PG**



Mike Troy

Editorial Director,
Grocery Group
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	<p>1 National Fruit Compote Day</p> <p>National Peanut Butter Lover's Day</p> 	<p>2 National Banana Cream Pie Day. They're even more enjoyable when not smashed into someone's face.</p> 	<p>3 National Soup It Forward Day</p> 	<p>4 National Pound Cake Day. This unassuming but delicious bakery stalwart doesn't get nearly enough love, so give it a shout-out.</p> 	<p>5 National Cheese Doodle Day. Salute the snack that's totally worth getting all of that cheese dust on your fingers.</p> 	<p>6 National Frozen Food Day</p> <p>National Oreo Cookie Day</p> 
<p>7 National Crown of Roast Pork Day</p> <p>National Cereal Day</p> 	<p>8 National Oregon Day. This is the perfect occasion to highlight products from the Beaver State.</p> 	<p>9 National Crabmeat Day</p> <p>National Meatball Day</p> 	<p>10 National Registered Dietitian/ Nutritionist Day. Pay tribute to your hard-working retail dietitians, both in-store and corporate.</p> 	<p>11 National Oatmeal Nut Waffles Day. Provide a recipe for this breakfast treat on your social media channels.</p> 	<p>12 National Baked Scallops Day. Make sure your seafood departments spotlight this dish.</p> 	<p>13 National Coconut Torte Day. Lure shoppers to the bakery with this tasty baked good.</p> 
<p>14 National Potato Chip Day. As Lay's used to say, bet you can't eat just one.</p> 	<p>15 National Pears Helene Day. Introduce customers to this classic French dessert.</p> 	<p>16 National Artichoke Hearts Day. Let shoppers know the best way to prepare these good-for-you delicacies.</p> 	<p>17 St. Patrick's Day is also, unsurprisingly, National Corned Beef and Cabbage Day.</p> 	<p>18 National Lacy Oatmeal Cookie Day</p> <p>National Sloppy Joe Day</p> 	<p>19 National Poultry Day. Chicken, turkey, duck, game birds — they're all included.</p> 	<p>20 National Ravioli Day</p> <p>National Corn Dog Day</p> 
<p>21 National California Strawberry Day</p> <p>National French Bread Day</p> 	<p>22 National Bavarian Crepes Day. Offer an online demo on how to prepare them.</p> 	<p>23 National Chip and Dip Day. Have shoppers share their favorite combos via social media.</p> 	<p>24 National Chocolate-Covered Raisin Day</p> <p>National Cheesesteak Day</p> 	<p>25 National Lobster Newburg Day. Direct customers to the lobster tank in your seafood department for info on preparation.</p> 	<p>26 National Nougat Day</p> <p>National Spinach Day</p> 	<p>27 National Spanish Paella Day. Ask shoppers for their own variations on this well-known dish.</p> 
<p>28 National Black Forest Cake Day. This cherry- and chocolate-flavored favorite never goes out of fashion.</p> 	<p>29 National Vietnam Veterans Day. Honor all of those who served in the conflict with welcoming signage and a special discount.</p> 	<p>30 National Turkey Neck Soup Day. Remind shoppers that turkey isn't just for the holiday season.</p> 	<p>31 National Clams on the Half Shell Day. Urge shoppers to up their seafood game by steaming these at home.</p> 			

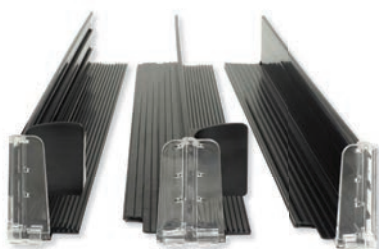
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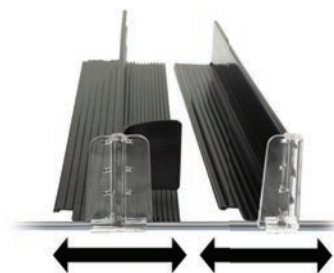
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Just Desserts

Dessert is the only part of the meal in which it doesn't matter whether you're hungry — it's an indulgent treat. Beyond classic flavors like chocolate, vanilla and caramel, nostalgic flavors such as s'mores and birthday cake are top of mind when crafting the perfect dessert. These nostalgic flavors teleport consumers back to childhood in a reimagined format like ice cream. Recently, operators have been influenced by desserts from global cuisines, and according to Datassential's Dessert Keynote, "41% of consumers are very interested or interested in global desserts." Desserts don't have to be strictly sweet, either — the addition of savory flavors can create a more complex and unique experience.

1 Paleta
MAC stage:
Inception —
International markets, global independents, and fine dining. Trends start here and exemplify originality in flavor, preparation and presentation.

This ubiquitous Mexican ice pop dessert is relatively new to the States. There are two types: paletas de aguas (in which the base is made of water or juice) and paletas de crema/de leche (made with milk or cream). Paletas are a blank canvas for flavor innovation, from traditional flavors like mango, tamarind and horchata to more early-stage flavors like Vietnamese iced coffee, grapefruit tarragon and watermelon basil.

On fewer than **1%** of U.S. restaurant dessert menus

Up **20%** over the past four years

24% of consumers know it/**14%** have tried it/**8%** love or like it

Menu Example
Seattle Pops
Sweet Beet Paleta

Local organic beets, fresh organic carrots, fresh lemon juice, organic cane sugar

2 Mochi
MAC stage:
Adoption —
Global foods aisle at supermarkets, casual independents, fast casual. Adoption-stage trends grow their base via lower price points and simpler prep methods. Still differentiated, these trends often feature premium and/or generally authentic ingredients.

Mochi is a sweet or savory rice cake traditionally eaten during Japanese New Year, but now found year-round. It's a pillowy, hand-held dessert made with short-grain glutinous rice and stuffed with various ingredients. Traditional sweet mochi confections, daifuku, are soft, round and filled with sweetened red or white bean paste, but in the United States, mochi is usually found in the frozen aisle, filled with flavored ice cream.

On more than **1.9%** of U.S. restaurant dessert menus

Up **35%** over the past four years

38% of consumers know it/**22%** have tried it/**15%** love or like it

Menu Example
Double Chin
It's Mah Birthday

Strawberry ice cream, fruit, mochi, cereal, Pocky, chocolate sauce, condensed milk, macarons, Double Chin birthday serenade

3 Sorbet
MAC stage:
Proliferation —
Proliferation-stage trends are adjusted for mainstream appeal. Often combined with popular applications (on a burger, pasta, etc.)

While sorbet has been adapted to many cuisines, as in the case of Italian sorbetto, the frozen dessert typically consists of fruit purée, sweetener, water, and some kind of flavoring such as liqueur, wine, dried fruit or essence. Sorbet has experienced a slight resurgence as operators have begun to incorporate unique fruit varieties, and flavors like plum, pumpkin spice and apple cinnamon.

On nearly **10.7%** of U.S. restaurant dessert menus

Up **7%** over the past four years

86% of consumers know it/**71%** have tried it/**53%** love or like it

Menu Example
Daniel
Orange Sanguine

Blood orange and sumac sorbet, cranberry confit, cinnamon tree berry meringue, pomegranate chantilly



4 Brownie
MAC stage:
Ubiquity —
Ubiquity-stage trends have reached maturity and can be found across all sectors of the food industry. Though often diluted by this point, their inception-stage roots are still recognizable.

This much-loved dessert has been a staple with Americans for more than a century, when it was created at the Palmer House Hotel in Chicago during the World's Fair. This baked good has been revamped many times — from blondies to the inclusion of candies and spices, or served al a mode. Brownies are an indulgent dessert, and whether you prefer them fudge-like or cake-like, they're always a crowd pleaser.

On more than **25.2%** of U.S. restaurant dessert menus

Up **6%** over the past four years

97% of consumers know it/**94%** have tried it/**84%** love or like it

Menu Example
The Stockyards
Ancho Chili Brownie

Fudge brownie, cinnamon ice cream, Mexican chocolate sauce, spiced candied pepitas

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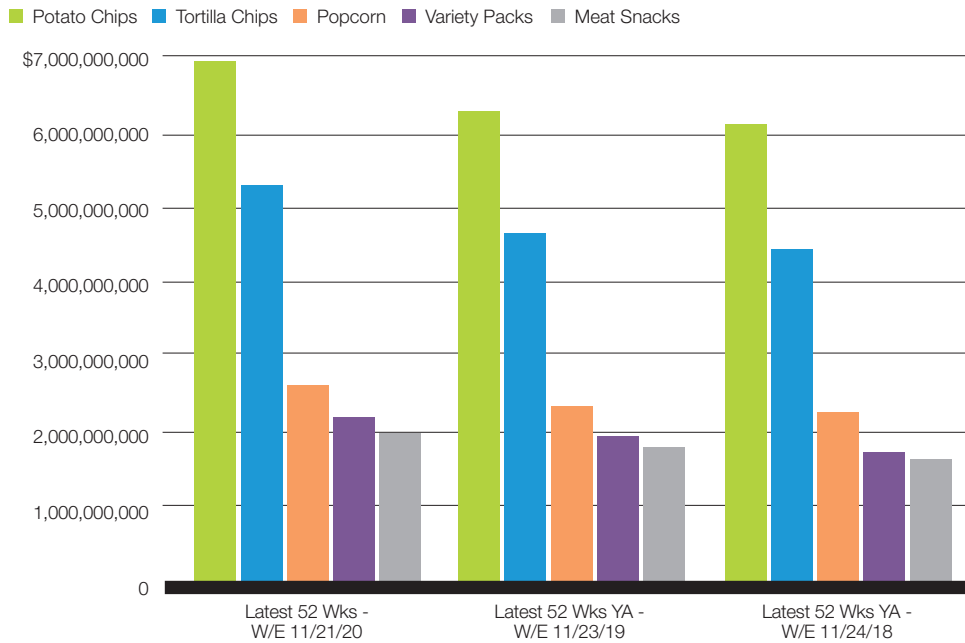
FIERA MILANO

Salty Snacks

Total Department Performance

Salty Snacks	Latest 52 Wks - W/E 11/21/20	Latest 52 Wks YA - W/E 11/23/19	Latest 52 Wks YA - W/E 11/24/18
	\$27,062,404,894	\$24,206,416,607	\$23,069,170,926

Top Salty Snacks Categories by Dollar Sales



Source: Nielsen, Total U.S. (All outlets combined) – includes grocery stores, drug stores, mass merchandisers, select dollar stores, select warehouse clubs and military commissaries (DeCA) for the 52 weeks ending Nov. 21, 2020

“After years of modest increases in sales of salty snacks, 2020 saw an explosion of sales growth in the wake of COVID-19. Consumers seem to have stockpiled many shelf-stable items, such as snacks, to ensure needs were met during lockdowns. Tried and true products like tortilla chips, potato chips and popcorn continue to drive overall category dollar growth, but significant gains in variety packs and meat snacks show that consumers are also craving a change of pace as well. Demographics were relatively unchanged from previous years, with the presence of children and larger-household sizes holding a strong impact on snack sales.”

—Eric Brown, Manager - Global Content Workstreams, Nielsen

Generational Snapshot

Which cohort is spending, on average, the most per trip on **potato chips**?



Source: Nielsen Homescan, Total U.S., 52 weeks ending Oct. 24, 2020

Basket Facts

How much is the average American household spending per trip on various salty snack products versus the year-ago period?



\$5.93

on all **salty snacks**,
up **7.3%**



\$3.89

on **cheese snacks**,
up **8.8%**



\$4.33

on **popcorn**, up **4.0%**



\$3.84

on **potato chips**,
up **4.9%**

Source: Nielsen Homescan, Total U.S., 52 weeks ending Oct. 24, 2020

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Sports and Performance Drinks

Market Overview

- ▶ The sports and performance drink market is continuing to grow: At the end of 2019, sales totaled \$9.9 billion, and they're expected to exceed \$11.2 billion by 2024.

Key Issues

- ▶ Accounting for only 18% of the market, performance drinks have struggled to gain a foothold in the better-for-you (BFY) market.

- ▶ Nine in 10 consumers consider product or ingredient attributes when purchasing a sports/performance/protein drink. BFY and nutrition claims are a priority, but not necessarily at the expense of taste.

What Consumers Want, and Why



While avid athletes are driving most of the category's growth, broader consumer health trends have opened up the sports and performance drink market to everyday exercisers, fitness fledglings and even gaming gurus.



To stay ahead of the competition, sports and performance drink brands must step away from a one-size-fits-all approach to wellness, and instead focus on careful branding and leveraging of unique flavors, new formulas and functional ingredients to meet the niche needs of specific consumers.

61%

Of consumers agree that sports drinks have too much sugar.

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EMERGENCY ISSUE SPECIAL REPORT

In a post-COVID-19 world, PPE has become top of mind for the comfort and safety of employees and customers alike.

The 2020 pandemic changed the retail landscape. As a result of widespread events the focus of safety guidelines has been more important than ever. As a part of the report, we'll explore the changes in safety solutions and best practices.

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732.429.2080
rbaker@ensembleiq.com

Natalie Meehan
New Business Development
773-992-4410
nmeehan@ensembleiq.com

New Year, New Opportunities

RETAILERS CAN HELP SHOPPERS EAT MORE HEALTHFULLY IN 2021 AND BEYOND.



The number of consumers who pay greater attention to the healthfulness of the food they buy since COVID-19 began in the United States has risen from 26% in May 2020 to 35% in November 2020, according to a tracking survey by the International Food Information Council.

Expect interest in healthful foods to continue in 2021 as the virus rolls on and as major nutrition developments appear in the media. These events offer new opportunities for retailers and retail dietitians

to partner on shopper-focused nutrition programs and messaging.

Dietary Guidelines Update

As of this writing, we're awaiting release of the 2020-25 Dietary Guidelines for Americans by the U.S. Department of Health and Human Services (HHS) and the U.S. Department of Agriculture (USDA). The guidelines are updated every five years, based on a comprehensive report of the latest nutrition science, and are used by retail dietitians and other professionals to help Americans age 2 and older consume a healthful, nutritionally adequate diet.

The 2020-25 guidelines likely will continue to focus on healthful eating patterns for those 2 and older. But they're also expected to take a new "lifespan approach," with first-ever recommendations for ages 0 to 24 months and for pregnant and lactating women, paving the way for nutrition communications, educational programs and promotions targeted to these groups.

Nutrition Facts Revamp Complete

In 2016, the U.S. Food and Drug Administration (FDA) finalized a redesign of the Nutrition Facts label found on most packaged foods. The new label is already a common sight, because FDA required manufacturers with \$10 million or more in annual food sales to use it by Jan. 1, 2020. What's new is that manufacturers with less than \$10 million in annual food sales had until Jan. 1, 2021, whereupon the rollout will be complete.

Retail dietitians are already educating shoppers about the updated components of the Nutrition Facts label, including a requirement to list the grams of added sugars and the % Daily Value per serving, based on consuming less than 10% of calories from added sugars in a 2,000-calorie diet. There could be an interesting twist, however, be-

cause the scientific report used to inform the 2020-25 Dietary Guidelines recommends limiting added sugars to just 6% of daily calories. If the new guidelines adopt the 6% recommendation, look to retail dietitians to sort out any shopper confusion about the difference between the guidelines and the label.

Nutrition News Streams On

It's routine for retail dietitians to respond to new nutrition research findings through broadcast and social media, in blogs, and in the aisles. In 2021, dietitians will continue using their skills to help shoppers understand popular pandemic-related topics such as food and immunity.

A recent example is a widely reported study suggesting that compounds in dark chocolate, muscadine grapes and green tea may help inhibit SARS-CoV-2, the strain of coronavirus known as COVID-19 in humans. While the results are promising, consumers should know that the study was conducted through computer simulations and in test tubes, and so the results aren't directly applicable to humans. Retail dietitians can put findings like these into context for shoppers and recommend enjoyable ways to appropriately include these foods in a healthful eating plan with the right amounts of nutrients known to support a healthy immune system. **PG**

Expect interest in healthful foods to continue in 2021 as the virus rolls on and as major nutrition developments appear in the media. These events offer new opportunities for retailers and retail dietitians to partner on shopper-focused nutrition programs and messaging.



Diane Quagliani, MBA, RDN, LDN, specializes in nutrition communications for consumer and health professional audiences. She has assisted national retailers and CPGs with nutrition strategy, web content development, trade show exhibiting, and the creation and implementation of shelf tag programs.

Reel in the Shoppers

Consumers are shopping for seafood differently, with habits and preferences that can lead to new growth in the seafood and frozen departments. **Here's the catch: it's about the catch.**

THE VALUE OF SEAFOOD

Consumers like seafood,

72%

reporting that they are **eating more seafood** than they were just two years ago*

82%

of consumers are likely to **purchase frozen fish**, which is ready to cook and available in many different varieties

THE "HOOK"

Health and taste are the top two reasons shoppers choose seafood over other proteins.

72%

of consumers say they buy seafood because it's **healthier overall**

63%

of consumers prefer the **taste of seafood**

Recipes lure them to the case: an overwhelming

90%

of consumers would buy seafood over other proteins if they had **easy recipe ideas** and **natural options***



THE ALASKA BRAND DIFFERENCE

The attributes of **wild-caught**, **origin** and **sustainability** are very important to shoppers when choosing fish and seafood.

79%

of consumers are more likely to buy seafood when they see the **Alaska Seafood logo**

7 out of 10

shoppers **prefer Alaska salmon** over Atlantic salmon

7 out of 10

shoppers **prefer pollock** when "Alaska" is called out



GREAT EXPECTATIONS

Consumers are looking for sustainable, simple and sumptuous seafood. As the new year opens with healthy resolutions and as the Lenten season approaches, leverage the powerful appeal of wild Alaska seafood to provide customers with what they value.

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*Datassential consumer online study, 2020

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RISE OF THE SUPER REGIONALS

Lowes Foods President Tim Lowe talks store experience, local innovation and making community connections in some of America's most competitive markets.


By Gina Acosta

Cary, N.C., looks a lot like any other American suburb. Subdivisions with newer colonial-style houses, townhouses and apartments dot the landscape. Strip malls feature Starbucks, nail salons and sushi joints. But there's something about Cary that makes it distinctive from a food retailing standpoint. It's home to what could be called a "supermarket superhighway," a 5-mile stretch of State Road 1613 in the heart of what is certainly one of the nation's most competitive grocery markets.

Many of the biggest and best names in the grocery industry operate stores in this part of the country: Wegmans, Whole Foods, Walmart, Target, The Fresh Market, Kroger, Food Lion, Aldi, Publix, H Mart and Lidl. Despite considerable competition, Winston-Salem, N.C.-based Lowes Foods is the local favorite and a company that has positioned itself for growth with a unique brand of food retailing that makes it worthy of the moniker "super regional." The company is winning with shoppers across its three-state trading area with a four-pronged value proposition that Lowes Foods President Tim Lowe describes as safety, friendliness, show and efficiency.

"I don't worry about my competition; I worry about my consumer," Lowe says during a tour of the company's 52,000-square-foot store in Kernersville, N.C. "Our No. 1 goal is safety. Then it's friendliness, show and efficiency."



A man with glasses and a goatee, wearing a white button-down shirt and grey trousers, is sitting on a wooden chair. He has a name tag that says "TIM" on his left chest. He is in a kitchen or food preparation area, with stainless steel counters and various kitchen items in the background. The background is slightly blurred, showing shelves with jars and other kitchen equipment.

“We actually worked with Disney to come in and teach us how to train our hosts to offer guests more of a fun, Disney-esque-type experience. But one of the things we talk about is, we can have the best experience in the world, but if we don’t have a great food experience, if the product doesn’t perform well in the consumer’s mouth and in their home, then it doesn’t matter.”

— Tim Lowe, Lowes Foods President

Retail veteran
Tim Lowe has been
president of Lowes
Foods since 2013.

When it comes to safety, the COVID-19 crisis remains top of mind at Lowes, although the retailer has always had a pandemic plan in place. According to Lowe, the company has renowned epidemiologist Mike Osterholm on retainer to advise on safety protocols. Osterholm was recently named to President-elect Joe Biden's COVID-19 Advisory Board.

"We meet with him every month at the executive level and have a call with him for 30 minutes," Lowe says. "He looks over our plan, gives us feedback, and says, 'Yes, these are good things to do,' or not, because he's an expert in the field."

While the retailer has made some operational adjustments like everyone else in the industry, the other three elements of the Lowes Foods value prop remain in full force, to much success, the company says. In fact, Lowe isn't kidding about the focus on show at Lowes Foods stores.

On any given day, when a new batch of rotisserie birds comes out of Lowes' Chicken Kitchen oven, children can dance and clap along with employees under an animated chandelier of singing chickens that can be heard throughout the store.

"It's a celebration of our fresh chicken; they're locally raised and harvested," Lowe notes. "It gets people back there. The kids and kids at heart love it. It's one of our best-known rituals."

Employees are also trained to chant "hot fresh bread" or "hot fresh cookies" when those just-baked items are in the bakery. And folks of all ages can join in shouts of "Yee-ha!" when pulled pork or ribs are fresh-cooked at the Smokehouse. Lowe explains that it's all done to help employees, whom the company calls "hosts," engage with customers, whom the company refers to as "guests," more deeply.

Lowes Foods tailors many of its fresh departments to the local community. At the Kernersville store, the deli is named after the city, which is the largest suburb of Winston-Salem, N.C. The deli offers Boar's Head meats, fresh salads and more.



This Lowes Foods in suburban Kernersville, N.C., measures around 52,000 square feet and offers curbside pickup and delivery. President Tim Lowe says that the company is planning to build a greenhouse on the roof to grow fruits and vegetables.

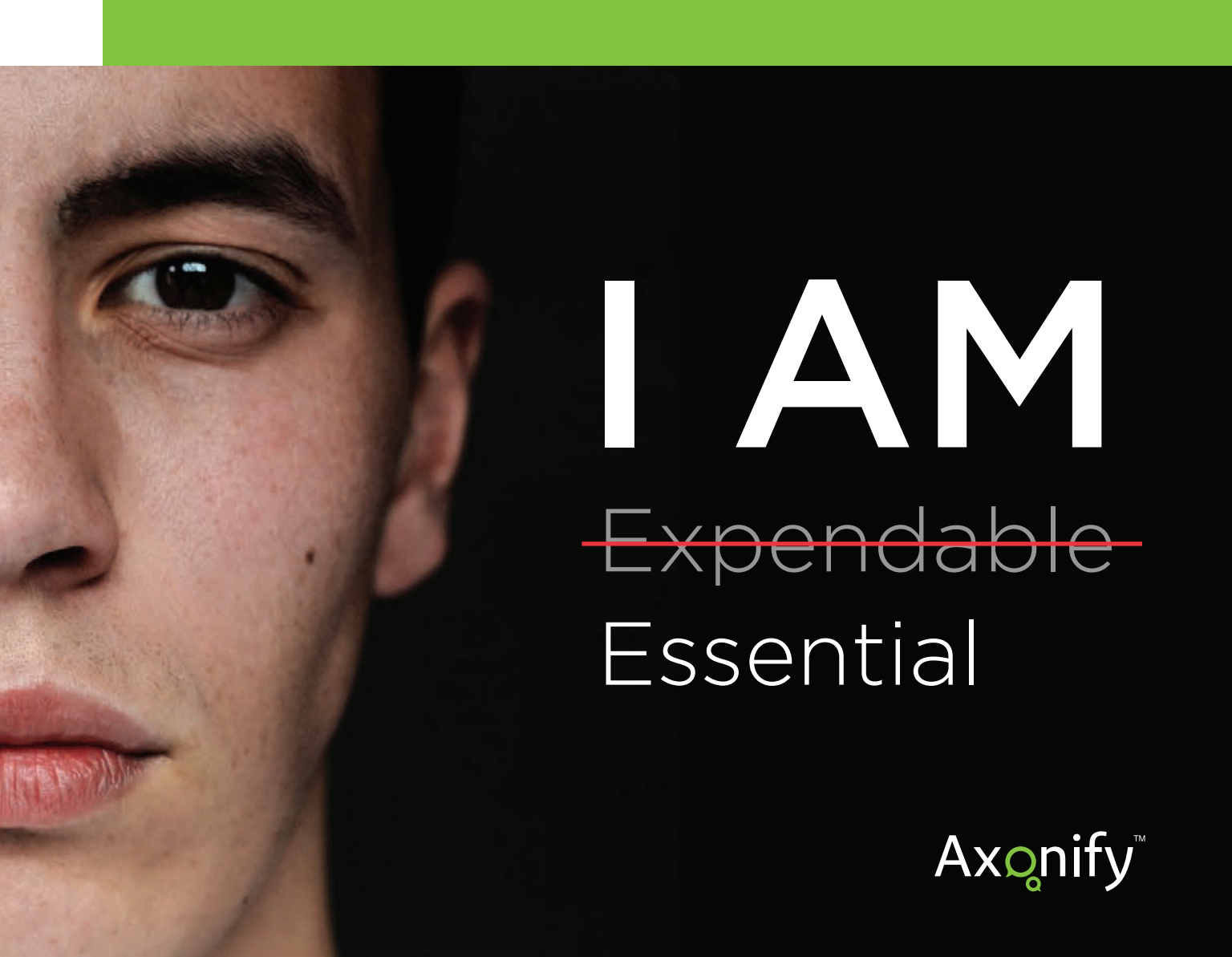
"We actually worked with Disney to come in and teach us how to train our hosts to offer guests more of a fun, Disney-esque-type experience," Lowe says. "But one of the things we talk about is, we can have the best experience in the world, but if we don't have a great food experience, if the product doesn't perform well in the consumer's mouth and in their home, then it doesn't matter."

That's why part of the Lowes Foods strategy, in addition to the aforementioned friendliness and show, is to offer a 200% guarantee on its products, he adds. If a product fails to meet customers' satisfaction, they can return it, and the store will replace it and give customers their money back.

Hyper-local Refresh

In 1954, one of the brothers who started Lowe's Home Improvement stores decided to open a grocery store and call it Lowes Foods (without the apostrophe). Over the years, the company expanded, and after several ownership swaps, grocery wholesaler Alex Lee Inc., based in Hickory, N.C., acquired the grocer in 1992.

For years, Lowes competed with larger rivals as a fairly traditional operator. Then, in 2013, Alex Lee decided that it was time to give the Lowes Foods value proposition a refresh. The company recruited Tim Lowe (no relation to the original Lowe brothers), a pharmacist by training who has more than 30 years of retail experience under his belt, including stints at Walmart, Meijer and Supervalu, to preside over that transformation strategy. Lowe set out to break the mold of the standard supermarket and create a distinctive and hyper-local grocery-shopping experience. The company mined shopper data and over the years created several store-in-store fresh food concepts — Cakery, Sammy's, SausageWorks, Chicken Kitchen, Bread Crumb, Pick & Prep —



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that have paid big dividends, according to Lowe, who declines to disclose sales data.

In addition to offering a fun and friendly atmosphere, the company says that it positions itself for success by instilling a deep sense of community in its stores. The company slogan is “Your homegrown grocer, here to inspire Y’ALL to connect with your roots.” There’s a big chalkboard calendar of community events at the front entrance. A pub called the Beer Den offers local craft brews and sponsors concerts and cornhole tournaments.

“Those are the things that are important to the consumer, and we want to make sure they are making that connection,” Lowe notes. “We want to be a place of entertainment and connection that happens to sell groceries. I don’t want people to say, ‘Well, Lowes Foods is the best grocery store.’ I want people to say, ‘Lowes Foods is the best experience.’”

As part of that experience, the bakery at Lowes offers communal tables for noshing on a macadamia nut cookie or fresh baguette. “Our tables are made from wood reclaimed from old tobacco barns in the region,” Lowe observes.

Instead of numbers, the checkouts at the front of the store have signs with the names of roads local to each community. “Maybe a guest needs help at the checkout,” Lowe explains, “so the announcement is ‘Attention Lowes Foods community: guest assistance on Salisbury Street.’”

Even the fresh departments on the perimeter have been localized. “The delis are always named locally,” Lowe says. “This is Evansville Deli. If you’re in Clemmons, it’s the Clemmons Deli.”

All of these “Easter eggs,” as Lowe calls them, go a long way toward making the stores authentic, friendly, and the opposite of an often corporate and regimented competition.

Farmhouse Chic

The reclaimed wood tables in the bakery are part of the recent brand refresh and new visual merchandising strategy that have helped grow the business, Lowe says.

“We actually did visual merchandising training across the

entire organization,” he adds. “You won’t find tables in our store unless they’re tables that we’ve built specifically to our brand.”

What you will find at a Lowes Foods store is burlap crates, wood, metal — anything that speaks to the relaxed and rustic farmhouse aesthetic. But there’s nothing rustic about the retailer’s innovative assortment, both in its fresh departments and center store.

In the meat department, shoppers are able to find HelloFresh meal kits, Certified Angus prime beef and sustainably harvested seafood in the cold cases. The center store offers an assortment heavy on local brands, regional brands, private brands, and national brands that are local faves. The perimeter offers salad and hot bars (sales have been way up as shoppers have stayed home, Lowe says), as well as a Smokehouse that will smoke meat to order. The produce department has mix-and-match bars for tomatoes, potatoes and onions, not to mention an herb garden and a sous chef for vegetables at the Pick & Prep station. A customer at the latter location can grab any fruit or vegetable from the produce department and have the product sliced, diced, julienned or chopped while they wait.

Meanwhile, in the herb garden, shoppers may cut their own herbs for 99 cents. “We replant that on a regular basis, based on the consumer’s need,” Lowe says of the garden, adding that the company plans to build a greenhouse on top of stores to grow fruits and vegetables.

Planting Seeds

In September, Alex Lee made a deal with Jacksonville, Fla.-based Southeastern Grocers to acquire 20 Bi-Lo stores in South Carolina and Georgia.

Alex Lee plans to operate five of those locations under the Lowes Foods banner, bringing the Lowes Foods footprint to 79 stores in the states of North Carolina, South Carolina and Virginia.

Lowe says that the company is constantly re-evaluating store concepts and strategy in its bid to keep “evolving.”

To that end, smaller stores may be on the grocer’s horizon. “We’re testing both larger and smaller stores,” he notes, “but I don’t think much larger for us is really the path forward.”

Meanwhile, the acceleration of e-commerce isn’t new for Lowes. The retailer has been offering click-and-collect for more



The Lowes Foods Chicken Kitchen offers locally raised birds, roasted or fried. The department grabs the attention of adults and kids alike with a musical chandelier and employees inviting shoppers to dance.



What Makes a Retailer a ‘Super Regional?’

Scale matters in retail, but in food retail, local scale really matters. Market density allows retailers to achieve supply-chain efficiency and leverage promotional expenses and other types of corporate overhead. Most importantly, market density enables food retailers to forge close bonds and foster loyalty with shoppers in the communities where their stores are concentrated.

It's why major retailers such as The Kroger Co., Albertsons Cos. and Ahold Delhaize USA, after spending decades building their multibillion-dollar businesses through dozens of acquisitions, retained the identities of their takeover targets.

These factors, and others such as speed, family ownership and a spirit of innovation, add up to the type of competitive advantage and awareness level that make a retailer worthy of being called a “super regional.” This phrase could be used to describe operators such as H-E-B, Meijer, Hy-Vee and Publix Super Markets, which are all worthy candidates. However, a layer below these obvious powerhouse, best-in-class retailers is another tier of equally notable operators.

Progressive Grocer wanted to highlight a select group of these companies, not as a definitive ranking, but rather as a representative sample of geographically dispersed chains that are forces to be reckoned with in their respective markets and worthy of the super regional designation.

than 20 years, and “had a leg up on a lot of folks in 2020 that didn’t have curbside pickup,” Lowe says.

“Our first logo on the curbside pickup sign was an actual wired telephone,” he recounts. “That’s how far back we started click-and-collect. In fact, we have a handful of guests who still place orders by calling into our customer call center.”

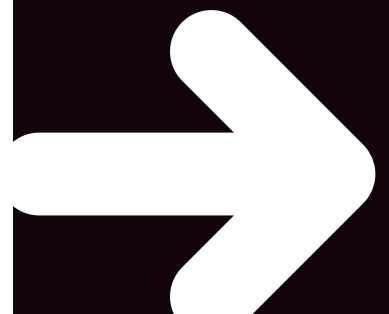
Coupled with the rise in delivery orders over the past year, Lowe says that the penetrations he’s seeing in e-commerce weren’t expected for another six years. Going forward, providing a great e-commerce experience is the way to keep that consumer sticky, he adds.

As for how many stores Lowes Foods plans to operate, Lowe notes that he’s not worried about how many locations the competition has versus his company’s tally. He’s focused exclusively on meeting the unmet needs of his customers.

“Our focus is going to continue being the consumer, and anticipating where they’re going, and trying to anticipate their unmet needs,” he asserts.

Judging by the many shoppers taking videos, doing the chicken dance and filling their carts in its stores in the Winston-Salem area, the company is faring quite well. The locals seem to love Lowes, making it a super regional operator that should be of concern to the big national chains and other area food retailers intent on expanding on Lowes’ home turf. **PG**

At top, the Lowes Foods produce department offers an exclusive feature not found in any of its competitors. Shoppers can clip as much, or as little, basil or parsley as they like from a potted herb garden. At bottom, Lowes Foods names its checkouts after local community streets.



SUPER REGIONALS WORTH WATCHING IN 2021

Eight grocers give competitors headaches and connect with communities.



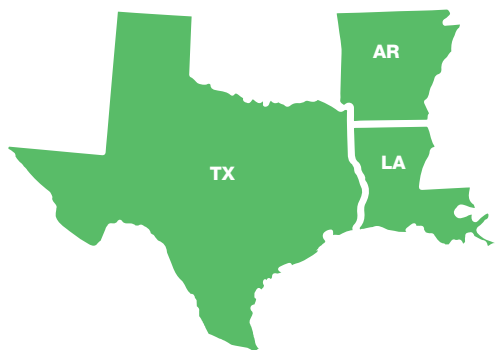
Brookshire Grocery Co.

Headquarters: Tyler, Texas

Store count: 183

CEO: Brad Brookshire

Annual sales: \$3.25 billion



BROOKSHIRE GROCERY CO. BUILDS LOCAL ADVANTAGE

Being a super regional is no easy feat in Texas, a state where industry leaders operate more than 1,000 locations combined. Even so, family-owned Brookshire Grocery Co., based in Tyler, Texas, is a regional food retailer that consistently ranks as a top grocer in its core trading area of east Texas, southern Arkansas and western Louisiana.

It's easy to see why. The company operates 183 stores under four banners: Brookshire's, Super 1 Foods, FRESH by Brookshire's and Spring Market, a concept introduced in 2016 when Brookshire acquired 25 former Walmart Express locations. Across the enterprise, the company operates under a philosophy of "Good food. Good people. Good deeds." It certainly put the "Good Deeds" part of its value proposition into practice in 2020 to further strengthen its connection to the community. When the pandemic hit, the retailer leveraged its business philosophy of "People first, profits will follow" by going into full-on discount mode. The retailer offered a 5% daily discount for senior citizens throughout the COVID crisis; the discount was available upon request to customers age 60 or older with a valid ID. The company also offered a 5% daily discount on store-brand products for all emergency first responders (EMS, fire department and law enforcement officers); hospital personnel; and active-duty military, including National Guard and military reserve.

Finally, Brookshire also waived fees for all customers on curbside orders as another way to help out a community in need. In November, the retailer was one of the first grocers in the nation to say that it would offer free COVID-19 vaccines to the public, the ultimate good deed at the end of a not-so-good year. **Gina Acosta**

ROUSES PROVIDES GULF COAST RHYTHM

You can hardly walk a block in parts of Louisiana without hearing music, so it makes sense that Rouses Markets has what it touts as the food retailing industry's only in-house band. That band, Makin' Groceries — in which the cold cuts manager sings, and which has dabbled in heavy metal — is working on its second album, a reflection of the chain's deep roots.

Rouses' history runs deep in Louisiana. J.P. Rouse launched the City Produce Co. in 1923, employing his son Anthony Sr. and his cousin Ciro DiMarco. The pair took over the produce business when J.P. died in 1954, and then in 1960 they opened the first Rouses store. Expansion throughout Louisiana followed; then the company entered Alabama in 2014, and a nine-store acquisition in 2016 increased Rouses' market share in Baton Rouge.

Now in its third generation of family ownership, Rouses has become a Gulf Coast institution. Well known for its deli and fresh produce — as well as regional staples such as shrimp, jambalaya and doberge cake — Rouses is making a new reputation for itself via grocery delivery and online options. The chain is also pushing the tech edge through another method: drone deliveries. The company partnered with Deuce Drone for a pilot program in 2020 with an Aerial Drone Delivery Interface System (ADDIS) at the Rouses on Airport Boulevard in Mobile, Ala. Rouses already offers personal shopping and delivery services that allow customers to shop online and receive deliveries in as little as an hour, but drones could do this in half the time, or even faster. That's music to consumers' ears. **Thad Rueter**

ROUSES MARKETS

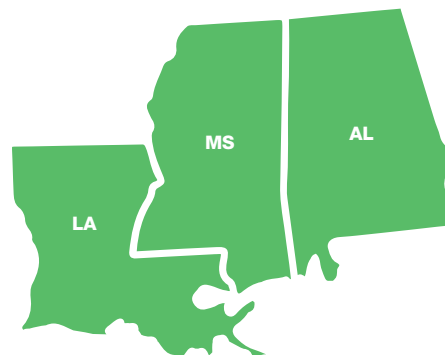
Rouses Enterprises LLC

Headquarters: Thibodaux, La.

Store count: 64

CEO: Donny Rouse

Annual sales: \$1.4 billion





Congratulations to Brookshire's for ranking 4th in digital maturity among 90 of the top food banners and delivery providers in North America and Europe.

Their secret to success?

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A close-up photograph of a hand holding a white smartphone. The screen of the phone displays a vibrant image of several ripe, red strawberries with green leaves. The background is dark and out of focus.

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BIG Y IS THE REASON WHY

Big Y Foods is starting off 2021 in a super regional way: opening a 425,000-square-foot Fresh & Local Distribution Center in its hometown of Springfield, Mass., to service more than 500 partnerships with local farmers across the retailer's two-state New England footprint. The grocer, which started out in 1936 in Chicopee, Mass., as a store offering personalized service and produce from local farms, aims to offer regional food producers an efficient, one-stop location for distribution. A typical Big Y sells more than 3,000 products from local food producers. The grocer knows that shoppers are looking for authentically New England products, so it actively searches for new local craft foods for its assortment. For example, the retailer is famous for its Polish doughnuts, or paczki.

In October, Big Y became the first supermarket in Massachusetts to participate in the MassGrown Exchange, an initiative launched by Gov. Charlie Baker to facilitate business-to-business connections within the local food system for products and services. Big Y's efforts to support local communities include donating more than \$10.5 million of food over the past 10 years to fight food insecurity, and creating more than 1,000 new jobs in the past two months as the company looks to future growth.

One of the largest independently owned supermarket chains in New England, Big Y operates 83 locations throughout Massachusetts and Connecticut, including 71 supermarkets, Fresh Acres Market, Table & Vine Fine Wines and Liquors, and 12 Big Y Express gas and convenience locations, and employs almost 12,000 associates. **Gina Acosta**



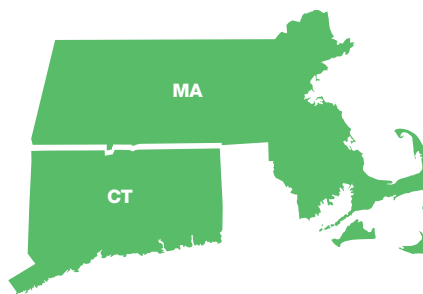
Big Y Foods Inc.

Headquarters: Springfield, Mass.

Store count: 79

CEO: Charles D'Amour

Annual sales: \$2.19 billion



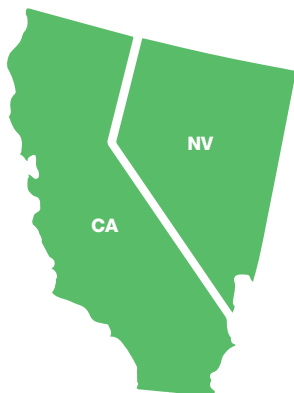
Raley's Supermarkets

Headquarters: West Sacramento, Calif.

Store count: 128

CEO: Keith Knopf

Annual sales: \$3.47 billion



RALEY'S RULES OUT WEST

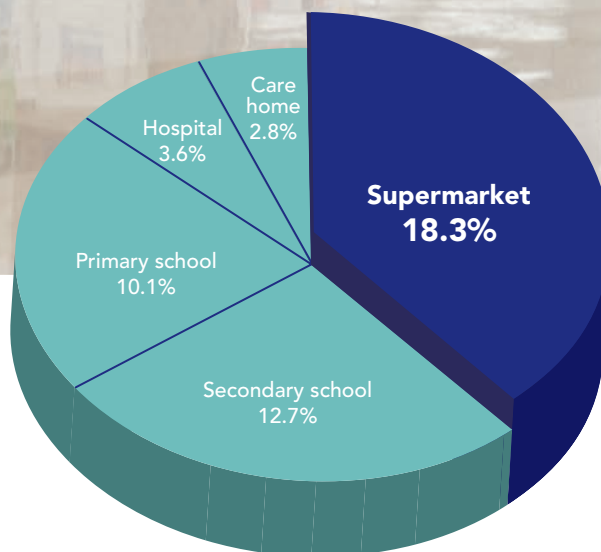
Family-owned and founded in 1935, Raley's Supermarkets serves as a food retailing role model in the Northern California and western Nevada trading area where its 129 stores are concentrated. Raley's operates six distinct formats – Raley's, Nob Hill, Bel Air, Raley's O-N-E Market, Food Source and Market 5-ONE-5 – to appeal to various shopper segments in the diverse communities that it serves. Despite its size, Raley's punches above its weight when it comes to innovation and early adoption of the latest consumer trends. The West Sacramento, Calif.-based company was among the first to eliminate private label sugar-sweetened sodas and tobacco products while sourcing 100% sustainable seafood and implementing checkstands that offered only better-for-you products. In addition, the launch of the Raley's Shelf Guide in 2018, which helped shoppers base purchase decisions on product attributes, served as an ingredient transparency blueprint for the industry. More recently, when online demand surged during the pandemic, Raley's adjusted quickly to transform an old store into an e-commerce fulfillment center.

The company's latest innovation is Raley's O-N-E Market. The 35,000-square-foot store, which opened last summer, is an evolution of the Raley's Market 5-ONE-5 concept first introduced in 2018. The focus on organics, nutrition, education and transparency is consistent with the company's vision of infusing life with health and happiness by changing the way that the world eats, one plate at a time. **Mike Troy**

The Buckeye logo is displayed in a blue banner. It features the word "Buckeye" in a stylized, green, cursive-like font with a registered trademark symbol (®) to its upper right.

Is COVID-19 Spreading in Your Store?

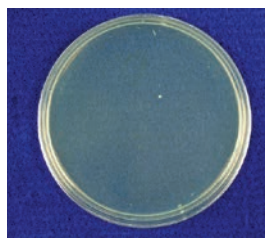
Supermarkets found to be the most common places visited by those who test positive.*



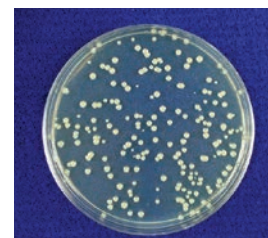
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Sedano's

Headquarters: Miami, Fla.

Store count: 35

CEO: Agustin Herran

Annual sales: \$1.05 billion



SEDANO'S AUTHENTICITY SATISFIES FLORIDA

When shoppers in South Florida want an authentic Hispanic shopping experience, one name instantly comes to mind: Sedano's. The family-owned operator of 35 stores, 32 of which are in the Miami/Fort Lauderdale area, is a force to be reckoned with in a market where Spanish is the first language of a majority of the population. Sedano's is a key player in a heavily Hispanic market that Jacksonville, Fla.-based Southeastern Grocers has its eye on as it prepares to go public, touting its 27-unit Fresco y Más as a key element of its growth strategy. But it will have to take on Miami-based Sedano's, an entrenched operator with great brand awareness that generated estimated annual sales of \$1.05 billion, placing the company in 90th place on The **PG** 100 ranking of North America's leading retailers of food and consumables.

Sedano's wins with South Florida shoppers through a merchandising strategy focused on authenticity and a hyper-local assortment. In addition, the company has been a leader in its region on micro fulfillment. In 2018, Sedano's debuted artificial intelligence (AI)-enabled robots that pick supermarket orders in minutes. As the company looks to grow in the future, perhaps expanding its presence in Orlando, where it operates three stores, it does so under the leadership of Agustin Herran, following the death of founder Manuel Herran in 2020. **Mike Troy**

STATER BROS. ESTABLISHED AS SOCAL INSTITUTION

It's hard to find a better example of a super regional than Stater Bros. All of the company's 171 stores are concentrated in Southern California where the retailer is as much of a cultural institution as surfing, cars and the entertainment industry. Founded in Yucaipa, Calif., in 1936, when twin brothers Cleo and Leo Stater purchased a 1,225-square-foot store from W.A. Davis for \$600, Stater Bros. has grown steadily to become the largest privately owned food retailer in Southern California, with more than 18,000 employees.

Stater Bros. is deliberate about new store growth, but last year it added a 45,000-square-foot store in the city of Ontario, while it regularly updates existing locations with new amenities to stay relevant with shoppers. The company's new Ontario store features full-service meat and seafood and deli departments, along with a prepared food offering that features, among other things, Cleo & Leo branded fried chicken.

The heavy concentration of stores in the sprawling Southern California metropolis means that Stater Bros. is able to service its entire operation from a massive 2.1 million-square-foot distribution facility that opened in 2008 about 60 miles due east of Los Angeles, in the grocer's hometown of San Bernardino. It does so under the leadership of Peter Van Helden, CEO since January 2016. He filled the position previously held by Jack Brown, who had been the company's CEO for 36 years and died late that same year. Brown established Stater Bros. Charities in 2008, with a commitment of not just doing business in the community, but also of being part of it. **Mike Troy**



Stater Bros. Markets

Headquarters: San Bernardino, Calif.

Store count: 171

CEO: Peter Van Helden

Annual sales: \$4.50 billion





Schnucks Markets Inc.

Headquarters: St. Louis

Store count: 113

CEO: Todd Schnuck

Annual sales: \$2.54 billion



SCHNUCKS SERVES CENTRAL UNITED STATES

Third-generation family-owned and -operated Schnuck Markets Inc. has been in business for 81 years, but when CEO Todd Schnuck unveiled the company's latest charitable initiative, a gift card program to benefit local restaurants, he saw something he'd never seen before. He explained to Fox News that restaurant owners were in "stunned silence, and a couple were brought to tears. One in particular said, 'I'm working on my budget for January right now, and I did not know how I was going to pay my rent, and now, with this check, I can pay my rent for January and keep my business going.'"

St. Louis-based Schnucks operates 113 stores in four Midwestern states (Missouri, Illinois, Indiana, Wisconsin), the majority of which are concentrated in the St. Louis area, and employs more than 14,000 associates. Last month, the company gave all of those employees a \$15 gift card to spend at local restaurants as a way to help those establishments. Schnuck acknowledged that investing \$200,000 is a lot of money, especially in a time when businesses are incurring increased costs to keep employees safe, but "it is so worth it to be able to help those that are really struggling."

That's not all that the company has been doing to help its communities throughout the pandemic. This past April, Schnucks said that it would begin carrying grab-and-go meals from local restaurants. Three months later, in July, Schnucks expanded these partnerships to focus on local Black-owned restaurants. Meanwhile, the company has been remodeling older stores and opening new locations in 2020 to position itself for growth in the coming year. **Gina Acosta**

LONGO'S TAKES CARE OF TORONTO

Being a super regional means more than simply operating a large number of stores in a geographic area. A retailer can possess other attributes that elevate its profile and give it an outsized impact in its trading area. That's the case with Longo's Brothers Fruit Markets, a 36-store operation that serves the greater Toronto area. Founded in 1956 by brothers Tommy, Joe and Gus Longo, the retailer sets a standard for food retailing excellence with stores that inspire shoppers and serve as a destination for other retailers to discover ideas that they can apply to their own operations.

Aspects of what makes Longo's special can be found in the company's newest store, in the Liberty Village neighborhood of Toronto. The 23,000-square-foot location reimagines the concept of a grocery store by offering live music, cooking demonstrations, special events and a partnership with fellow Toronto-area company Amsterdam Brewery. The company also opened a format-defying concept called Pronto Eats in August 2019 inside the Hudson's Bay Centre, a major mixed-use development in downtown Toronto, to cater to workers and commuters with 1,000 square feet of ready-to-eat and semi-prepared meal options. Further, Longo's was an early adopter of digital grocery, acquiring Grocery Gateway in 2004, which gave it an advantage when the pandemic changed shopper behavior.

With a third generation of family members now involved in the business, Longo's carries on a legacy of corporate social responsibility and sustainability that resonates strongly with Canadian shoppers. **Mike Troy**



Longo Brothers Fruit Markets Inc.

Headquarters: Vaughan, Ontario, Canada

Store count: 36

CEO: Anthony Longo

Annual sales: \$1.15 billion





Flex Spending

RETAILERS SHOULD INVEST MORE IN PLANT-BASED FOODS TO CAPTURE A PIECE OF THIS BOOMING MARKET.

By Jenny McTaggart

If you haven't yet familiarized yourself with the term "flexitarian," now would be a good time to do so. Defined as "a person who has a primarily vegetarian diet, but also eats meat and fish," this word has been loosely broadened to describe a growing number of U.S. consumers who desire to eat more healthfully and be kinder to the planet by adding more plant-based ingredients to their diet.

Around 30% of the U.S. population follows some sort of flexitarian diet, and these people are shopping not only in health food stores and larger health-centric chains like Whole Foods Market, but also in conventional supermarkets. During the initial outbreak of the COVID-19 virus in 2020, sales of plant-based foods surged a whopping 90%, led by burger alternatives, according to SPINS data analyzed by the Plant Based Foods Association (PBFA). Even more impressive, after this initial surge, sales growth hasn't wavered.

"Once panic buying calmed down and we started to see things come back to somewhat normal levels, plant-based foods continued to grow," observes Julie Emmett, senior director of retail partnerships at San Francisco-based PBFA. "We know that during the last six months, 77% of shoppers have purchased a plant-based product, which is very significant. In terms of the outlook, we certainly expect the continued exponential growth that we've been experiencing."

The primary reason consumers are choosing to eat more plant-based foods is

Gathered Foods, maker of Good Catch Plant-Based Tuna, has now branched into the frozen section with new offerings.



Key Takeaways

- ▶ During the initial outbreak of the pandemic, sales of plant-based products surged a whopping 90%, led by burger alternatives and plant-based milks. After this initial surge, sales growth hasn't wavered.
- ▶ Plant-based meats are now being marketed as ingredients, providing consumers the option to add more meat alternatives to their own recipes, while private label presents a major opportunity.
- ▶ Plant-based alternatives across all categories must address taste, texture, healthfulness, formulation, education and merchandising issues to become more mainstream, however.

health, notes Emmett, but sustainability is the fastest-growing reason that they choose these products. “That can be attributed to general awareness, but we can also easily point to Millennials and Gen Z consumers based on their values,” she says. “That, combined with concerns for food safety and overall health during the pandemic, have been huge. And then the tremendous, consistent product innovation we’ve seen has only added to that.”

Product Revolution

The innovation happening in the plant-based food world is astounding – reminiscent of the natural and organic revolution of the 1990s and early 2000s. In recent years, new burger brands like Impossible Burger and Beyond Burger have come onto the scene, while plant-based milks, which make up the largest percentage of plant-based product sales, have expanded with ingredients like oats, almond and cashew. Now plant-based cheeses and yogurts are becoming more popular, and even plant-based versions of ingredients like flour are being made. In the frozen case, brands such as Brave Robot and Eclipse have introduced plant-based ice cream. Virtually no part of the supermarket has been untouched by the plant-based craze, and leading suppliers (including traditional meat companies like Smithfield and Tyson) have been investing in plant-based products.

In the fast-food world, McDonald’s has said that it will test a plant-based burger called McPlant in key markets this year. This move follows successful plant-based rollouts from Burger King and Dunkin’.

An emerging product segment that may pick up steam in 2021 is plant-based seafood, as this category is still relatively new but speaks to both health and sustainability concerns. New York-based Gathered Foods is already seeing success with its Good Catch Plant-Based Tuna, now being sold in tuna aisles at 6,000 retail locations in the U.S. market.

“While our target consumer is the flexitarian, we’ve seen great success with both natural food retailers and more conventional food stores,” explains Christine Mei, CEO of Gathered Foods.

The company is now moving into new seafood categories, as it introduces New England Style Plant-Based Crab Cakes, Thai Style Plant-Based Fish Cakes and Classic Style Plant-Based Fish Burgers. Its frozen entrées and appetizers are crafted from a proprietary six-legume blend (peas, chickpeas, lentils, soy, fava beans and navy beans) that provides plenty of protein and helps the company create a texture that mimics the flakiness of seafood, according to Mei.

Meanwhile, we’re starting to see plant-based meats marketed as ingredients, providing consumers the option to add more meat alternatives to their own recipes. “In 2021, we expect to see a growing demand in the meat alternative space for flexible, convenient formats like crumbles and shredded meats, which lend themselves to a variety of uses in the kitchen, from stir-fries to sandwiches to tacos,” observes Ana Ferrell, VP of marketing for Archer Daniels Midland (ADM), based in Chicago. “In fact, our research finds that 41% of U.S. consumers are interested in trying alternative shredded and pulled meats.”

In the alternative dairy category, Ferrell anticipates

key growth in plant-forward cheeses, alternative dairy foods and beverages, and blended proteins such as almond and coconut drinks.

As an ingredient maker itself, ADM provides “responsibly and sustainably sourced” ingredients, including plant proteins with a “clean taste and neutral flavor,” according to Ferrell. She also notes that ADM is seeing a lot of potential in blending animal and plant proteins to develop more nutritious products.

While the future looks bright for plant-based foods, there may be a few hurdles to overcome. Dasha Shor, global food analyst and registered dietitian at Chicago-based market research firm Mintel, says that in her view, plant-based alternatives must address taste and texture to become more mainstream. “The success of the meat alternatives comes from meeting consumer expectations for meatier flavor and texture profiles,” she observes. “However, manufacturers will be challenged by consumers about the high use of additives in meat substitutes in order to mimic the taste and texture of real meat. The next frontier of plant-based innovation is addressing consumers’ concerns around the level of processing, number of ingredients and overall healthfulness of plant-based meat substitutes.”

In just one example of a supplier reformulating its products, Beyond Meat is launching new versions of its plant-based burger early this year. The El Segundo, Calif.-based company says that its two new iterations will feature lower saturated fat and overall fat, fewer calories, and B vitamins and minerals comparable to the micronutrient profile of beef.

The newest versions of Beyond Meat's burgers will feature lower saturated and overall fat, fewer calories, and B vitamins and minerals comparable to the micronutrient profile of beef.





Dairy products like yogurt are now venturing into the plant-based space with items like Chobani Oat, made with oatmilk.

Private Label, Merchandising Considerations

Not surprisingly, retailers are capitalizing on product innovation by adding more plant-based products to their private label portfolios, which conveniently provide their shoppers more affordable options. Cincinnati-based Kroger took the lead by launching its own dedicated brand, Simple Truth, in 2019. Last October, the national retailer expanded the line to include an impressive 75-plus items, ranging from the Emerge Chick'n line of patties and grinds to nondairy cheeses and oat milk ice cream.

"Private label is presenting a sizable opportunity," affirms Emma Ignaszewski, corporate engagement specialist at The Good Food Institute (GFI), a nonprofit based in Washington, D.C. "At least 30% of consumers who tried new private label products during COVID-19 plan to stick with them."

Kroger has also been experimenting with merchandising strategies in the plant-based space. The retailer worked exclusively with PBFA in a three-month study that ran from December 2019 through February 2020 across 60 test stores in three states, in which Kroger placed plant-based meats in a dedicated 3-foot set within its meat departments. Across test stores, plant-based meat sales increased an average of 23% compared with the control group.

Sean Brislin, merchandising director at Kroger, noted at the time of the study: "This test provides one more proof point that plant-based meats have moved from niche to mainstream. Kroger continues to ex-

“You need to be the resource. Educate yourself to know what plant-based diets mean, and how your assortment can react to someone who’s vegan or flexitarian. Being a trusted advocate means customers will keep coming back to you.”

—Jeff Crumpton, SPINS

perience double-digit growth in the plant-based category, and this test demonstrates the viability of shifting product placements to reach even more consumers."

According to Ignaszewski, GFI recommends what it calls an "integrated-segregated merchandising strategy," in which plant-based meat, eggs and dairy are placed next to conventional items in an adjacent but separate plant-based set.

The institute worked with independent Heinen's Grocery Store in the Midwest to incorporate an integrated-segregated merchandising plan, and the Wooster, Ohio-based food retailer saw a 43% year-on-year increase in dollar sales of plant-based meat in the year ending March 25, 2020, and a 106% increase versus the prior two years, notes Ignaszewski.

In categories where it's harder to separate products, signage and brand blocking can help highlight plant-based offerings, advises PBFA's Emmett. "Hannafornd is putting bib tags across their entire store to make it easier for shoppers to find the plant-based items within sections," she observes.

Mintel's Shor suggests positioning certain products based on usage, such as plant-based grilling sausage placed on shelves next to sausages containing animal protein, as well as the items being offered alongside one another in online shopping platforms.

Advice for Newbies

This past summer, in a webinar about the plant-based boom, Jeff Crumpton, manager of retail reporting solutions at Chicago-based market researcher SPINS, provided some advice for retailers that are seriously considering highlighting plant-based foods for the first time. "Milk is a good entry point," he noted. "I'd expect conventional grocers to go after the largest categories first to make sure they have the right assortment. This gives them the ability to understand if there are legs behind this. Then test to see if you bring in plant-based burgers and cheeses, are you seeing the uptick that you're hearing about in the rest of the industry?"

Crumpton also stressed the importance of promotions and offering larger pack sizes to capture impulse buys, as well as developing private label versions of popular plant-based items.

Last but not least, he advised retailers to train store associates to promote and educate consumers about plant-based foods. "The most important thing is the people you have in your stores who interact with your customers," he pointed out. "You need to be the resource. Educate yourself to know what plant-based diets mean, and how your assortment can react to someone who's vegan or flexitarian. Being a trusted advocate means customers will keep coming back to you."

PBFA's Emmett concurs. "Our Kroger merchandising test included an entire educational package we created that went out to store personnel," she notes. "Whole

Foods is the gold standard in how they educate their store personnel, so we've actually used some of their best practices."

PBFA is further promoting the plant-based lifestyle in its official partnership with the Plant Based World Conference and Expo. While the 2020 trade show wasn't able to take place in person due to the pandemic, virtual meetings were set up with the help of the organization. "We've had more than 100 meetings where we've connected with retailers, including Walmart, Target, Kroger and many more," says Emmett. "We're continuing those meetings from January through April, and then the focus will be turned to the expo." (As of now, the 2021 Plant Based World event is slated to take place at the Jacob K. Javits Convention Center, in New York City, June 16-17.)

The trade association has also formed a retail merchandising advisory council that brings in experts from all areas of the industry, including distributors, retailers and suppliers, she continues. "Despite the fact that the Kroger results were so positive, a merchandising shift like this also poses challenges," admits Emmett. "You can't just pick

up an entire section and bring it over without understanding how best to manage that."

She adds that she's optimistic about how the industry will move ahead with this new attention to plant-based foods. "The great thing about all the enthusiasm is that we can create a common voice," explains Emmett. "We want a unified voice, a unified message and a unified approach, so that not every brand is approaching the retailer with a different way of recommending how these merchandising changes happen."

Mintel's Shor urges retailers to consider all proteins and how they fit together in consumers' lifestyles as they ponder their merchandising plans for 2021. "The future protein tool box will include animal, cultivated and plant-based proteins," she predicts. "The role of retailers will be to show consumers how all of these options fit in their everyday lives." **PG**

Cultured Club

As this issue of *Progressive Grocer* was going to press, the world's first cultivated meat product was approved for sale, in Singapore. San Francisco-based Eat Just conducted the first commercial sale of cultivated chicken bites to 1880, its Singaporean restaurant partner. While such an introduction could still be years away in the U.S. market, this launch is historic for the global food industry.

Cultured meat, also sometimes referred to as clean meat or lab-grown meat, is meat produced directly from cells outside of an animal instead of from slaughtered animals.

"We are hoping and expecting that the U.S., China and the EU will pick up the gauntlet that Singapore just threw down," says Bruce Friedrich, executive director at The Good Food Institute (GFI), a nonprofit based in Washington, D.C.

According to GFI, there are more than 60 startups, numerous international food and life sciences companies, and a host of academic researchers conducting research and development and commercialization efforts in cultivated meat.

While it isn't exactly clear when these products will arrive Stateside, Emma Ignaszewski, corporate engagement strategist at GFI, says: "Accounting for technical challenges, infrastructure construction needs and regulatory uncertainties, our best guess is that cultivated meat will be more broadly available at upscale restaurants by the late

2020s and potentially available in mass-market restaurants and possibly grocery stores by the 2030s. Hybrid plant-based and cultivated products, which contain only a small constituent amount of cultivated meat, may be available in mass-market restaurants by the late 2020s."

Dasha Shor, global food analyst and registered dietitian at Chicago-based market research firm Mintel, predicts that blended products that combine cell-based meat with plant-based protein will be the ideal avenue for cultured products to enter the market.

Shor also cites research suggesting that three out of 10 consumers say that they'd be interested in trying cell-based meat. "This is a relatively large number, given the products are not on the market yet," she notes.

Cultured meat meets the consumer need for realistic meat taste, but familiarity, texture and price will be key challenges in the early days of commercialization, she predicts. "Blends that combine cultured and plant-based proteins in familiar formats like sausages and hamburgers are a win-win: Plant-based ingredients will help to bring down the cost when blended with more expensive cell-based meat, and cultivated meat will deliver the taste consumers crave without using meat from animals," observes Shor.

She also notes: "It will take some time to normalize cellular agriculture in our society and get over the 'eek' factor of producing food in laboratories. There will also be concerns around the level of processing: The final product prepared using the cells requires additives to resemble the color, texture and taste of meat from animals. Any potential legislation that would prevent the use of 'meat' terminology on labels for cell-based meat could become a barrier."

Eat Just recently conducted the first commercial sale of cultivated chicken bites to 1880, its restaurant partner in Singapore.



Beyond Rotisserie Chicken

BOLD FLAVORS AND PLANT-BASED PREPARED FOODS TARGET THE HEALTH CONSCIOUS AND FILL RESTAURANT VOIDS.

By Debby Garbato

W

early of restaurant operating restrictions and stay-at-home recommendations, consumers are craving new foods and flavors like never before. This has prompted grocers to introduce prepared dishes whose exotic tastes and healthy ingredients take in-store foodservice further beyond the traditional world of mac and cheese and rotisserie chicken.



Key Takeaways

- ▶ Restaurant operating restrictions and stay-at-home recommendations have prompted grocers to introduce prepared dishes with exotic tastes and healthy ingredients.
- ▶ COVID-19 has increased health-and-wellness concerns, with shoppers demanding more clean labels, natural ingredients and vegetarian fare.
- ▶ Innovative ingredients enable food retailers to differentiate from other grocers and restaurants.

Cauliflower is growing increasingly popular as a low-carb grain alternative in everything from pizza crust to gnocchi.



Sophisticated dishes are bold and full-bodied. They use chiles, other hot peppers, and exotic herbs and spices, as well as flavorful oils like grapeseed and coconut. Grocers are also featuring more authentic Mexican and Indian foods, and adding non-sushi Asian choices. Meal-kit ingredients and selections are broader, too, with offerings changing regularly.

"Restaurant operating restrictions have fostered interest in unique ingredients," affirms Phil Kafarakis, former president of the New York-based Specialty Food Association and senior adviser to boards, CEOs and governments. "There's experimentation. Retailers are getting beyond their traditional base, expanding prepared food to replace restaurants' innovation. You're seeing spices and seasonings, extravagant ice creams, unique olive oil blends and replacing other ingredients with mushrooms. Instead of [regular] mac and cheese, there's upscale versions using specialty cheeses."

COVID-19 has increased health-and-wellness concerns, with shoppers demanding more clean labels, natural ingredients and vegetarian fare. Retailers are emphasizing meat substitutes and whole grains. Chickpeas and cauliflower are becoming "alternative" ingredients in everything from ice cream to pizza crust. The list of antioxidant-rich "superfoods" continues growing, with new dishes containing cranberries, sea greens and ever-popular kale.

"Consumers want protein-focused flavors and plant-based ingredients," notes Pat Brown, group VP of deli/foodservice at Boise, Idaho-based Albertsons Cos. "They're interested in clean-label products that are GMO-, cage- and antibiotic-free. We're looking into many options in prepared foods containing plant-based and healthier ingredients. This market is growing. Thinking outside the box and keeping items trend-fresh and interesting draws customers."

A Competitive Edge

New ingredients let food retailers differentiate from other grocers and restaurants. They could also help grow a grocery prepared food category that represents just 5.5% (about \$26 billion) of the entire \$477 billion takeout/delivery market, according to Rockville, Md.-based Packaged Facts.

Always ahead, Hy-Vee, Trader Joe's, Wegmans, H-E-B and Mariano's are aggressively addressing new trends. Other chains are doing so to varying degrees. "It's evolving by retailer," observes Ron Wilson, managing director at Boston-based L.E.K. Consulting. "Those stuck in the old world serve too much fried chicken and sushi. Ones that have evolved make you feel you're in a food court."

Exotic flavors and vegetarian cuisine, however, won't dominate most prepared food sections; rotisserie and fried chicken still rule the roost. But new foods "romance" core offerings. "Foods offering excitement and differentiation enhance core products," says Randy Burt, a managing director in New York-based Alix Partners' Consumer Products Practice. "Rotisserie chicken and sushi won't disappear; they're volume drivers and, sometimes, loss leaders."

Distinctive foods also give grocers a hedge against Amazon. "It's a key defense mechanism," explains Wilson. "You can't get a same-day prepared meal at Amazon — at least not today."

Recipe for Success

Success involves more than dabbling in exciting flavors, however. Supermarkets need comprehensive assortments. "There's many



Banza's 2014 launch of chickpea pasta brought this protein-rich legume's versatility to light. Now chickpeas and chickpea flour are also ingredients in rice, salad, ice cream, chips and cereal.

opportunities to offer alternative ingredients," advises Albertsons' Brown. "The key is having enough to make a presence so customers know you're a destination for foods that satisfy their needs."

Ingredients should appeal to customers who want to eat healthier much of the time (but not always) and aren't purely vegetarians. Alix Partners' study "Cracking the Code on Health and Wellness," released last September, found that 47% of shoppers avoid meat two to three times weekly; just 4% do so regularly.

Brown compared this dichotomy to a Venn diagram. "There's overlap," he notes. "You have customers who are wholly health conscious, those who want comfort food and are not concerned with ingredients, and customers in the middle that balance meals across the week to be healthy, but allow indulgence. The middle is growing."

According to Joseph DeCicco Jr., partner/head of merchandising at DeCicco & Sons, a nine-store specialty chain based in Pelham, N.Y., healthy choices appeal largely to shoppers in their mid-20s to 40s. "Older consumers are usually satisfying cravings," points out DeCicco.

Meanwhile, COVID-19 fears and economic uncertainty have driven some shoppers to embrace more comfort foods. "On the other end, there's a big need to satisfy nostalgic choices like casseroles, mac and cheese, and chicken pot pie," says Brown. "Quality store-prepared items fill that desire."

Media influences affect food choices, too. Since the COVID-19 crisis began, 25% more consumers watch cooking shows daily, according to the Hartman Group, based in Bellevue, Wash., in the August 2020 report "COVID-19 and the New Modern Convenience." Further, 37% are swayed by online reviews and 17% by online

TREND WATCH

Popular ingredients in Action at Select Retailers

In 2021, grocers' prepared food sections should be hot with hatch chiles and habaneros, and healthy with chickpea gnocchi and vegan burgers. Other trends revolve around restaurant partnerships and spices like ginger and turmeric. Here's a look at some popular ingredients and how supermarkets are dishing them up.

► Chickpeas

Banza's 2014 pasta launch brought chickpeas' versatility to light in center store: The legumes are tasty, inexpensive and protein-rich, making them excellent meat substitutes. Until recently, however, chickpeas' role in prepared foods was limited to hummus and falafel. Now, in addition to pasta, chickpeas — and chickpea flour — are used to make salads, rice, chips, ice cream and cereal.

Hummus may also have a broader future, with many Middle Eastern restaurants creating self-serve stations featuring different varieties. Corey Chafin, principal at Chicago-based consulting firm Kearney, believes that this trend could penetrate supermarkets.

Wegmans Food Markets: Organic chickpea citrus salad

Whole Foods Market: Falafel, green chickpeas, potato, kale, tomato & rosemary bowl

DeCicco & Sons (Pelham, N.Y.): Chickpea salad, falafel salad, kale and chickpea quinoa

H-E-B: Falafel tzatziki wrap, veggie hummus wrap

► Cauliflower

Low-carb and high in fiber and antioxidants, cauliflower is another grain alternative. In addition to fresh cauliflower options, retailers are creating dishes with cauliflower rice and using cauliflower flour in pizza crust. "Pre-COVID, superfoods like broccoli, sprouts and cauliflower were changing prepared food," notes Brian Baker, managing director, retail practice at New York-based Deloitte. "Now they're continuing to grow in importance."

Chipotle began testing cauliflower rice at 55 Denver and Wisconsin locations. One in three people chooses it, according to John Ciraulo, SVP, fresh foods at San Bernardino, Calif.-based Stater Bros. This could further drive its popularity as an alternative ingredient in supermarkets' prepared food offerings.

Albertsons: Pizza with cauliflower flour crust, cauliflower dips

Trader Joe's: Cauliflower gnocchi

Wegmans Food Markets: Cauliflower rice risotto, organic cauliflower soup

Whole Foods Market: Brown butter cauliflower bisque

H-E-B: Loaded cauliflower soup

DeCicco & Sons: Cauliflower and ginger soup, roasted cauliflower

► Hot Peppers

Myriad hot peppers and pepper blends are creating fiery but complex flavor profiles. Brooklyn, N.Y.-based restaurant consultancy Baum + Whiteman points to three popular chili pepper-based compilations: Tajin, from Mexico, a mildly spicy flavoring involving lime, chiles and sea salt; tempero baiano, a medley of parsley, chilis, oregano, nutmeg,

bay leaves and turmeric; and berbere, a fragrant high-heat Ethiopian blend of chilies, cardamom, cinnamon, ginger, nutmeg, allspice and coriander.

Hatch and other chiles, along with habaneros, are also heating up palates. "People are adding different chilis to spaghetti sauce and other mainstream dishes," asserts Armando Martin, president of Denver-based advertising and marketing agency XL Edge. "Twenty years ago, people didn't care much for spice. Mexican food's popularity changed that."

Whole Foods Market: Corn & hatch chile chowder

Wegmans Food Markets: Spicy red lentil chile

Hy-Vee: Jalapeño wontons

► Plant-Based Meat Alternatives

Plant-based meat alternatives use ingredients and processing techniques to mimic the colors, textures and flavors of animal meats. Ingredients include soy, potatoes, peas, rice and mung beans. They appeal both to vegans and to meat eaters who wish to limit fat and cholesterol.

Burger King, McDonald's and Beyond Burger have successfully launched plant-based burgers, as have grocers' meat departments. Now products are moving into supermarkets' foodservice offerings. "We're seeing more plant-based meats," affirms Chafin. "Grocery tends to be a follower, not where trends begin."

Albertsons Cos. is considering offering meat alternatives during multiple dayparts. "There's certainly a growing market," says Pat Brown, group VP of deli/foodservice at the Boise, Idaho-based grocer. "We're exploring plant-based eggs and proteins for breakfast sandwiches, plant-based meatballs with pasta alternatives, and plant-based lunchmeat."

Whole Foods Market: Vegan chicken sandwich, vegan BLT

Ralphs: Plant-based meatballs

Hannaford Supermarkets: NPR pasta Bolognese with plant-based crumbles

► Restaurant Meals

Some supermarkets are marketing prepared food from local or chain restaurants. "These local restaurants have strong followings," notes Chafin. "Since it's hard to do this large-scale, they may not be in all stores. Brands must meet local market tastes and have strong awareness."

The Kroger Co.'s On the Rhine Eatery includes Eli's Barbecue, a popular local chain, and Saladworks, where guests create salads, wraps and other dishes from 60 fresh ingredients (Saladworks also operates within The Giant Co.'s Camp Hill, Pa., location and at various ShopRite and The Fresh Grocer locations). Kroger's Cincinnati food hall also houses local food truck Queen City Whip's first indoor location. Queen City offers custom burgers, chili dogs and milkshakes.

DeCicco & Sons offers food from two local restaurants, according to Joseph DeCicco Jr., partner/head of merchandising: cake pops from the Dessertist, a specialist in colorful, artistic desserts, and wood-fired margherita pizza from The Parlor.



influencers and celebrities, Alix Partners has found.

John Ciraulo, SVP, fresh foods at San Bernardino, Calif.-based Stater Bros., says that influencers often partner with brands for promotions and discounts. Some Instagram accounts are dedicated to discussing discoveries at particular stores, for instance. "Many people on Instagram share new finds from Trader Joe's," observes Ciraulo. "Whole Foods is also very active on social media and partners with chefs and wellness advocates to demonstrate use of their brand." He adds that consumers also seek health-and-wellness articles and food tips from medical professionals.

Evaluating Performance

While grocery sales have climbed in recent months, purchasing frequency and in-store visits have declined. This, along with ingredient shortages, has hurt some retailers' prepared food sales, notes Brian Baker, managing director, retail practice at New York-based Deloitte.

DeCicco's market was hard hit by the pandemic early on, but his chain's online sales explosion "has had little impact on food-service sales," which, along with bakery, declined 75%, he says. Sushi and sandwiches in particular are suffering, but packaged meal sales grew 25%.

“Thinking outside the box and keeping items trend-fresh and interesting draws customers.”

—Pat Brown, Albertsons Cos.

Albertsons, which recently partnered with San Francisco-based DoorDash, has reported positive results. "More customers are buying prepared foods in stores and online," says Brown. "Trips are down, purchases are up. But occasions and meal sizes are different. For example, people want breakfasts they can heat up in their microwave versus hot breakfast sandwiches purchased en route to the office."

One thing that COVID-19 hasn't changed is consumers' thirst for exciting ingredients, a trend that began 20-plus years ago. Interest is continually fueled by word of mouth, the internet, celebrity chefs, and growth of ethnic populations and cuisines. This trend is unlikely to reverse itself.

"Years ago, I went to Ohio, and ketchup was considered salsa," says Armando Martin, president of Denver-based advertising and marketing agency XL Edge. "Now there's pupusas, arepas, hot chilis and other Mexican options. Prepared food competition continues growing." **PG**

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Key Takeaways

- ▶ Buoyed by pandemic-related shopping shifts, the outlook for retail sales of beer, wine and alcohol is bright.
- ▶ Current trends that grocers should heed include larger package sizes, mixing cocktails at home, better-for-you offerings, mocktails, innovative flavors and locally produced items.
- ▶ Further, the adult beverage category is poised to widen with the addition of cannabis-infused drinks.

What's the Buzz?

FIND OUT WHAT'S IN STORE FOR THE BEVERAGE ALCOHOL CATEGORY IN 2021.

By Lynn Petrak

There are plenty of reasons to toast this new year after this last one. The outlook for retail sales of beer, wine and alcohol, a category affected by the dramatic market shifts of 2020, seems rather spirited.

For one thing, the normalcy of dining out in bars and restaurants and gathering at large public events isn't on the short-term horizon. "We don't sell spirits at any of our stores, but we expect the increase in beer and wine sales to continue in 2021, at least for as long as COVID restrictions are in place," agrees Colin Heap, manager of beer and wine for The Giant Co., based in Carlisle, Pa. "Our customers are buying more to-go, which corresponds with a decline in alcohol sales at bars and restaurants."

Within the category, there are some trends of note for food retailers that sell beer, wine and/or spirits to shoppers in their physical and online liquor departments.

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Beverage Alcohol Outlook

Go Big and Go Home

Package size remains affected by lingering pandemic-related behaviors. “Specifically, we are seeing customers trading up to larger package sizes so they can make fewer trips to the store,” observes Heap. “For example, sales of 15-pack beer and 3-liter box wine, the maximum package sizes per transaction in Pennsylvania, are significantly up during the pandemic. We anticipate this trend will continue.”

In addition to portion and package size, many shoppers are up-sizing in other ways, too — namely, buying more premium products as a way to treat themselves. Heap notes that Giant has noticed a shift toward more upscale imports from customers who may have bought domestic wines in the past.

Belly Up to the Home Bar

Batched cocktails, popularized by restaurant takeout and amplified by ready-to-drink (RTD) cocktails at retail, are bringing out consumers’ inner mixologists. “2020 was the year Americans learned to make cocktails at home — so 2021 will see a further acceleration of more consumers buying more spirits versus beer and wines, and premium mixers versus the generic, high fructose-filled mainstream ones,” projects Jordan Silbert, CEO and founder of Brooklyn, N.Y.-based Q Mixers, which enables consumers to make a cocktail with two ingredients and a garnish.

Silbert notes that this trend, which had already started with interest in mixed drinks and inventive cocktails in restaurants and bars, bodes well for RTD products in the longer term. “Once they started making good cocktails at home, they’re not going back, especially

“2020 was the year Americans learned to make cocktails at home — so 2021 will see a further acceleration of more consumers buying more spirits versus beer and wines, and premium mixers versus the generic, high fructose-filled mainstream ones.”

— Jordan Silbert, Q Mixers

if they’re easy to make,” he asserts, adding that it’s often easier for shoppers to find bar-worthy products at their usual grocery store instead of having to make another trip or click to a liquor store.

The Best of Both Worlds

Innovation in adult beverages mirrors some of the fusions happening in the food world. On the one hand, alcohol is being added to traditionally nonalcoholic products. The trend started in seltzers and ciders, and has accelerated with other offerings. According to the recently released 2021 “New Year, New Cart” report conducted for San Francisco-based Instacart by The Harris Poll, there has been a move toward alcohol-infused versions of healthy beverages: Sales of hard kombucha, for example, are up 320% in searches across the Instacart marketplace.

Q Mixers gives consumers the ability to make their own cocktails with two ingredients and a garnish.





On the flip side, the growing embrace of mocktails is affecting the marketplace, too. Instacart's survey confirms that shoppers are interested in more alcohol-free spirits and low-calorie alcoholic beverages. Chicago-based market research firm Mintel reports that nearly half (47%) of consumers under the age of 35 agree that mocktails are just as good as cocktails, underscoring the potential for alcohol-free RTD alternatives.

The Fizz Factor

If sales aren't flat, neither are many types of beverages faring well in the category. Flavorman, a Louisville, Ky.-based beverage development company, includes "flavors that tingle" as a trend to keep an eye on in the coming year. "We've had a considerable uptick in client requests for flavors that deliver varying degrees and styles of heat, smoke and spice," says Tom Gibson, Flavorman's chief flavorist, "but we've also seen an increase in requests for flavors with that fresh, cooling rush you'd get from chewing a stick of mint gum." RTD cocktails are part of this trend, he adds.

In addition to cocktails, wines are getting a sensory lift. At The Giant Co., Heap notes that sparkling wine is more popular on an everyday basis, and is no longer just enjoyed on special occasions.

Local Charm

Locally and regionally produced wines, beers and spirits have historically appealed to shoppers and helped distinguish a grocer's adult beverage department. Retailers that spotlight local products in both assortment and merchandising can continue to garner interest going forward.

According to Heap, products from local breweries and wineries are popular with The Giant Co.'s customers. "If we receive customer requests for a local item that we aren't currently carrying, we reach out to the supplier and offer to bring them into the set," he says. "We

“The pandemic brought a new awareness as well as creativity. It has led many of us to try new things in general.”

—Linda Tischler, Tischler Finer Foods



Chicago-area independent grocer Tischler Finer Foods teamed with a local brewery on a Tischler branded beer.

view this as a point of differentiation."

Carrying local items also ties into the general move to support other businesses at a time of hardship. "Buying direct from local wineries has allowed many family-run businesses to thrive, and they have been able to survive during the pandemic, when their tasting rooms and winery tours were closed," Heap

points out. "Likewise, our support of local breweries has helped them offset losses from declining sales in the draft beer on-premise business."

One independent grocer in the Chicago area has taken locally produced beer and mutually beneficial collaborations a step further. Tischler Finer Foods, in Brookfield, Ill., recently introduced a Tischler branded beer that it created with nearby BuckleDown Brewing.

"The idea behind the collaboration has always been local supporting local," explains co-owner Dennis Tischler, noting that customers have enthusiastically supported the product since it was launched a couple of months ago. To create awareness and drive sales, the store and brewery heavily promoted the rollout on their respective websites and social media pages. Tischler Finer Foods is prominently displaying the beer at the front of the store, in addition to at the cooler and on the shelf.

Co-owner Linda Tischler says that this past year has reshaped the category in a way that allowed this store brand to move from idea to reality. "The pandemic brought a new awareness as well as creativity," she notes. "It has led many of us to try new things in general. We have noticed an increase in locally made beer sales over time, but more during this time frame."

Finally, as the legalization of cannabis and recreational marijuana continues to expand across the United States, the adult beverage category is poised to widen with the addition of cannabis-infused drinks. Information from San Francisco-based Grand View Research shows that cannabis beverages now represent a \$2.8 billion segment. **PG**

New behavior trends, none of which show signs of going away soon, gave rise to explosive growth in beauty care in 2020. While sales of cosmetics declined, the pandemic drove a 5% increase in beauty sales over the past year as consumers snapped up more facial scrubs as a way to relieve COVID-19 stress.



6 Ways to Win the New Beauty Shopper

STRATEGIES FOR DRIVING GROWTH AMID RADICALLY CHANGING CONSUMER BEHAVIORS.

By Gina Acosta

R

apidly evolving consumer trends in the health and beauty care (HBC) aisle are nothing new for grocery store operators, but ask category managers whether they'd ever heard of "Zoom face" or "maskne" before March of last year, and you'd likely get blank stares in response.

When the pandemic hit nearly a year ago and consumers were forced to stay home and avoid hair and nail salons, many of them became more aware of — and insecure about — their appearances on video platforms such as Zoom. Cue the boom in sales of at-home

hair color, double-chin-reducing neck masks and other HBC products.

More daring consumers began experimenting with new beauty products because of Zoom: After all, if their new hair color looked bad on video, they could just turn the camera off.

Meanwhile, sales of moist towelettes (wipes) have skyrocketed 24.3% over the past year as consumers look for ways to reduce maskne, facial breakouts and rashes attributed to wearing face masks.

All of these new behavior trends, none of which show any signs of going away anytime soon, gave rise to explosive growth in beauty care in 2020. While sales of cosmetics declined, the pandemic drove an overall 5% increase in beauty sales over the past year as consumers snapped up more facial scrubs and hand serums as a way to relieve stress and look good online, according to Chicago-based Information Resources Inc. (IRI). Essential retailers such as grocery stores are uniquely positioned to squeeze



Key Takeaways

- ▶ Highlight clean-label and natural products.
- ▶ Merchandise for inclusivity beauty shoppers.
- ▶ Make sure that apps include virtual testers for beauty.

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more growth out of health and beauty care in 2021 as consumers adopt a “one-stop-shop” lifestyle and buy their cuticle oils and eye treatments during their trips to get bacon and butter.

“We have seen great performance of our products in the grocery sector, and we expect that to continue throughout 2021,” affirms Leland Hirsch, founder and CEO of No Fade Fresh, a Fort Lauderdale, Fla.-based beauty brand. Hirsch, formerly a new-product consultant for Redken and Clairol, developed the first color-depositing shampoos and conditioners under the ARTEC brand in the 1990s. “We expect this trend to continue as food retailers experience higher traffic and more health/beauty growth than in past years,” he adds.

To capture more market share in body scrubs, pillow sprays and moisturizers in 2021, food retailers should be catering to six new types of beauty shoppers.

1 The DIY Beauty Shopper

No matter how many pictures of maskless Americans sweep across the nightly news, most U.S. consumers are still staying home as much as possible and avoiding hair salons and manicure shops over virus worries. This means do-it-yourself beauty treatments have become routine. According to IRI, sales of nail cosmetics (nail files, cuticle nippers, nail polish, etc.) were up 18% for the 52 weeks ending Nov. 29, 2020; sales of electric shavers were up 13%; and sales of hair color were up 7.1%.

“We believe that a great percentage of the ‘at-home’ trends developed by consumers amid the COVID-19 shutdown will be continued from a DIY and economic perspective,” Hirsch notes.

The at-home beauty treatment trend isn’t going anywhere. Consumers are seeing the value in doing their own beauty care at home versus at salons, and sales in these categories are up for the foreseeable future. As a result, suppliers are working with retailers to meet demand for product.

“Our products are a brand-new category at retail,” Hirsch says of his company’s color-depositing shampoos and conditioners. “We created this category with our prestige brand, Celeb Luxury, which is the No. 1 product in salons in over 30 countries. The food, drug and mass customer has embraced our No Fade Fresh product as salon shut-downs prevented them from visiting salons. We believe that these ‘salon intermediary’ products will continue to be appealing to consumers that are looking to continue social distancing in 2021.”

Food retailers should take a leadership role in the natural and clean-beauty trend.



2 The Clean Beauty Shopper

The rising popularity of clean, or natural, beauty products isn’t new, but the grocery retail channel has been slow to commit to marketing and merchandising more natural beauty SKUs.

Clean beauty products usually feature sustainable packaging and ethically sourced natural ingredients, in many instances locally produced and sometimes organic. Consumers of these products are likely to care about ingredients and where a product came from. Last month, Hy-Vee said it would host quarterly Best of Local Brands summits in 2021 to help expand its local product assortments at its more than 275 retail stores. The West Des Moines, Iowa-based grocer is particularly looking at expanding its assortment of locally produced beauty products as shopper interest in these items has exploded during the pandemic.

“An increasing number of Hy-Vee customers would like to be able to purchase from local vendors during their grocery shopping process — whether in store or via our Aisles Online grocery pickup and delivery service,” says Darren Baty, Hy-Vee’s EVP and CMO. “Supporting small local businesses is important to us, and these quarterly summits will enable vendors in our eight-state region to present their products directly to our purchasing team, and — in return — will ensure our team is aware of all of the incredible locally made products that we can share with our customers.”

There are significant opportunities for food retailers to take a leadership role in the clean beauty trend. They just need to bump up their clean beauty SKUs and call out clean ingredients and wellness attributes in signage. Cross merchandising pineapple snacks with pineapple masks wouldn’t be a bad idea, either.

“Clean beauty is continuing to ascend as a consumer preference, and is applicable to anything that you are putting in your hair, on your face, or ingesting,” Hirsch observes.

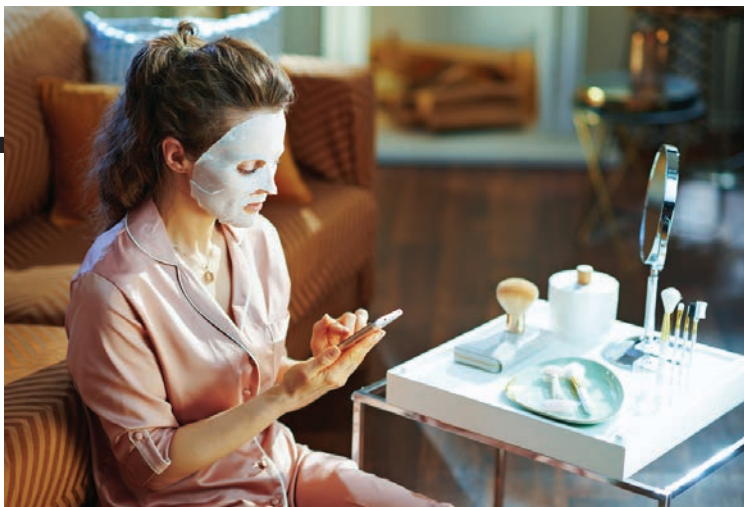
3 The Digital Beauty Shopper

COVID-19 e-commerce trends in beauty care will likely accelerate in 2021.

Beauty was the top-performing category for year-over-year online growth on both Black Friday and Cyber Monday in 2020, according to retail marketing firm Bluecore. Online beauty sales grew by 46% on Black Friday and 47% on Cyber Monday. The New York-based firm predicts that beauty will have seen a 62% overall year-over-year increase for the holiday shopping period ending Jan. 5.

Food retailers will need to prioritize digital channels to capture and convert the attention of existing and new beauty shoppers. Grocers should be prioritizing the use of artificial intelligence for testing, discovery, customization and education in beauty care. Other examples include providing online tutorials or access to digital beauty advisers.

“Consumer education is essential in translating



U.S. consumers are still staying home as much as possible and avoiding hair salons and manicure shops over virus worries. As do-it-yourself beauty treatments have become routine, sales of nail cosmetics, body care products and hair color are way up.

salon-quality products to the consumer for do-it-yourself application," Hirsch says. "We are adding 'tele-beauty' options that include things like professional video color consultations and how-to videos from our in-house world-renowned colorists."

4 The Self-Care Beauty Shopper

"Today, beauty is a critical link to acts of self-care and wellness," asserted Mary Dillon, CEO of Bolingbrooke, Ill.-based Ulta Beauty, in a December 2020 call with analysts.

Hunkered down in their homes and feeling the anxiety caused by the pandemic, consumers have been purchasing health and beauty products to relieve stress. Sales of sleeping remedies (27.9%), vitamins (18.2%), body scrubs (6.8%), bath products (8.3%) and soap (41.8%) have all grown over the past year, according to IRI.

So have sales of candles, home scents and massaging appliances, according to The NPD Group, based in Port Washington, N.Y.

"Massaging appliances can solve a variety of consumer wellness needs that have escalated since the start of the COVID-19 pandemic," notes Joe Derochowski, NPD's home industry adviser. "Whether it is to relieve stress, soothe a sore back from a makeshift home workspace or just find some much-needed relaxation, these products fit into the consumer's broader quest for comfort during challenging times."

In addition to massaging appliances, both candles and home fragrance have seen double-digit dollar gains, as have body-exfoliating skin care products.

"Through products such as body care and home scents, consumers are creating a spa-like environment at home and finding new outlets to de-stress and capture a sense of normalcy and balance," says Larissa Jensen, NPD's beauty industry adviser.

This past December, Englewood Cliffs, N.J.-based Unilever partnered with Bentonville, Ark.-based Walmart to develop and launch Find Your Happy Place, an exclusive line of candles and body care products. The goal: to create value-priced aromatherapy products sold in stores and online.

5 The In-Store Beauty Shopper

Despite strong growth in online sales, most beauty shoppers still want to shop in-store. When Ulta reported third-quarter results this past December, Dillon said that the company's priority is to reimagine how the physical-store shopper

experiences and discovers beauty in "the new normal."

"Product discovery is a hallmark of the beauty shopping experience, and we're welcoming more guests to experience the fun of GLAMlab, our virtual try-on tool," she noted. "Our store associates have done a great job introducing GLAMlab to guests as a safe alternative to testers in stores, which are currently for display purposes only. To help facilitate even more in-store engagement, we've introduced new QR codes on select shelf strips that take guests directly into the GLAMlab experience, making it even easier for guests to virtually try on products while they're in stores."

This beauty shopper still really wants the in-store shopping experience, but now the rules of the game have changed. A great in-store beauty experience is no longer about fancy lighting and lots of testers. For food retailers, the way to win this shopper now is via a safe physical-store experience aided by virtual tools, as Ulta has done; using signage promoting sanitation protocols; and providing plenty of antibacterial wipes and hand sanitizer.

6 The Inclusivity Beauty Shopper

With the United States on its way to becoming a multicultural majority country by 2044, multicultural beauty shoppers are naturally a major force driving U.S. beauty sales. These consumers are looking for value-driven products that they can relate to not only in terms of individual personalities and lifestyles, but also in terms of gender fluidity, disability and agelessness. That means fine-tuning messaging and merchandising to the diversity of today's beauty consumer, whether it's merchandising Black-owned skin care, or brands that cater to disability-focused beauty.

Some grocery retailers are working with suppliers to attract the inclusivity shopper. This past November, Grand Rapids, Mich.-based Meijer hosted its first virtual Supplier Diversity Summit, giving diverse-owned businesses an opportunity to showcase their offerings for Meijer merchants. Certified minority-, LGBTQ-, woman-, veteran- and disability-owned businesses in the beauty and personal care categories were invited to attend.

"At Meijer, we believe our partners should reflect the communities we serve," explains Jamie Akemann, the company's group VP of indirect procurement and supplier diversity. "This event gives us the opportunity to partner with diverse suppliers to empower them and provide economic support that will be felt throughout our communities, allowing us to better embody our mission of enriching lives in the communities we serve."

The window of opportunity for grocery players to grab market share in the lucrative beauty category is wide open in 2021. First, however, food retailers must understand the six new types of beauty shoppers and connect with them. **PG**



Munch Time

SALTY SNACKS PROVED ESSENTIAL DURING LOCKDOWN, BUT THEY'RE ALSO POISED FOR GROWTH POST-PANDEMIC.

By Barbara Sax

The pandemic has been good to the salty snack category. Growth in the segment outpaced all other snack categories during the COVID-19 outbreak as consumers stocked up on their favorite comfort snacks during lockdown. In fact, retail sales data from IRI and the Frito-Lay Snack Index indicate that salty snacks have been the No. 1 growth food segment since March.

Consumers found comfort in indulgent snacks in the time of COVID. Demand for Frito-Lay legacy brands has spiked over the past

several months, with Lay's up 32% and Tostitos up 42%. Mega-brands in the indulgent snack segment will continue to generate excitement with new and limited-edition flavors and impactful seasonal displays that create dependable lifts in sales.

"Snacks provide a bit of accessible excitement during difficult times," affirms Beth Bloom, associate director, U.S. food and drink reports at Chicago-based Mintel. According to Bloom, more than a quarter of salty snackers say that they're "always on the lookout for new flavors."

"New flavors and formats can provide an enjoyable change of pace and



Key Takeaways

- ▶ **Consumers — particularly Gen Z and Millennials — have an insatiable appetite for new products in the snack aisle.**
- ▶ **Signs indicate that consumers will adopt better habits once the pandemic is over.**
- ▶ **Since portability is a key driver for increased consumption, brands that offer packaging or are forging connections with on-the-go opportunities will be brands to watch.**

sense of agency when other life factors feel beyond your control," she adds. "Leading into the pandemic, 38% of salty snackers who reported increasing their snack consumption in the past year attributed it to a better variety of flavors."

Bigger flavors, more flavors and sweeter profiles are keeping consumers engaged.



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Snack Forecast

"Heat continues to be a snack favorite, with flavors like Spicy Tabasco, Ghost Pepper, Jalapeño Sizzle, Spicy Chili and Zesty Buffalo," notes Sally Lyons Wyatt, EVP and practice leader at Chicago-based IRI. "Lime is hitting shelves with twists of lime and jalapeño lime. We have also seen the intersection of sweet and spicy like Mango Habanero, Honey Jalapeño, and Sweet & Hot."

Customers Crave Variety

Industry experts expect more growth in sweeter flavor profiles this year as consumers develop a taste for snacks that combine sweet and savory flavors.



“Leading into the pandemic, 38% of salty snackers who reported increasing their snack consumption in the past year attributed it to a better variety of flavors.”

—Beth Bloom, Mintel

The focus on variety isn't likely to end anytime soon. Consumers — particularly Gen Z and Millennials — have an insatiable appetite for new products in the snack aisle. Nearly 40% of younger consumers say that they're likely to try a new snack option. Mintel research shows that the largest majority of salty snack consumers eat three to four types of snacks in the category, and one in five eat five or more types. That leaves room for plenty of innovation.

Post-pandemic, experts predict a renewed focus on healthy snacking. Premium and innovative brands have been gaining ground even at traditional outlets, and better-for-you snacks with simple ingredients are



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Snack Forecast



Better-for-you snacks, such as Hippeas chickpea-based products, have been gaining traction in the snack aisle, with more growth expected this year.

becoming a bigger part of the category.

"Consumers are more discerning now than ever over their health, and the brands that deliver against these needs will win," says Lynn Hemans, VP consumer intelligence and strategy at The Hershey Co. Pennsylvania-based Hershey, which has already acquired the maker of Skinny Pop and the Pirate's Booty, Smart Puffs and Original Tings brands, is likely to take a deeper dive into the snack segment in the future.

The Return of Better-for-You Snacks

"Signs point to the desire for consumers to adopt better habits once the threat of the pandemic wanes," says Bloom. "Health-focused snacks have been driving much of the growth in the salty snack space, with strong increases seen in high-protein snacks, low-carb cheese snacks, veggie-based snacks, bean snacks, and snacks using alternative grains." Mintel research shows that 35% of salty snackers who reported increasing their snack consumption in the past year attributed it to the availability of healthier options.

Charles Coristine, president and CEO of LesserEvil, the Danbury, Conn.-based snack manufacturer of organic popcorn, Veggie Sticks, Power Curls and Paleo Puffs lines, is convinced that consumers will continue to seek products with less processing that offer a variety of flavors. To keep snackers engaged, LesserEvil has introduced a series of innovative seasonal items.

"This past year, we've been committed to thinking of fun flavors that correspond with the time of the year," says Coristine. "Customers loved our Sweetheart Popcorn for Valentine's Day, our three different citrus flavors for summer popcorn, and our festive flavors for fall and the holiday season."

According to Coristine, this year, LesserEvil is adding a Fiery Hot flavor to its Power Curls line, and introducing a line of snacks specifically for toddlers, Lil Puffs. The company is also at work on plant-based protein initiatives.

"Most of the new products that are entering the market are plant-based," observes Rachel Krupa, founder of The Goods Mart, a better-for-you convenience store located in New York, and a consultant for the category.

More Flavors, Fewer Ingredients

The Snack Brigade, the Columbus, Ohio-based manufacturer of IncrediPuffs, is also bringing exciting new flavors to the market. The company recently introduced an Elote Mexican street corn flavor as

well as a holiday Hot Cocoa and Marshmallow flavor, and is launching an Apple Pie flavor at Keasbey, N.J.-based Wakefern Food Corp.'s ShopRite stores in February.

"Limited-edition drops provide retailers an opportunity to always offer something new," explains Andrew Ford, VP of sales and marketing at The Snack Brigade.

Ford sees more upside for better-for-you snacks. "Consumers are smarter and smarter. They want more plant-based

and premium ingredients," he says. The brand, which launched in Grand Rapids, Mich.-based Meijer and is now at several major grocery chains, recently boosted the nutritional profile of its puffs by substituting a combination of corn, sorghum and navy beans for potato. According to Ford, the company makes products that offer consumers healthier versions of traditional snacks.

"Our customer is definitely looking for a better-for-you option for snacks they grew up with," says Krupa, of The Goods Mart. "They are looking for the flavors they remember, but don't want to put all the junk in their body. And they don't want to compromise health for flavor. The smaller brands entering the market have ... nostalgia, flavor and better-for-you ingredients."

New packaging options are also creating new opportunities in the category. Hershey's Hemans says that at-home cocooning is impacting sales as more consumers enjoy snacks with their families. "Microwave popcorn is seeing double-digit category growth, with SkinnyPop the fastest-growing brand," she notes. Variety packs that help satisfy all needs in the family, adds

New flavor profiles, like IncrediPuffs' Elote Mexican street corn variety, are keeping consumers engaged.



Hemans, are a way to build sales.

Mintel research confirms that shoppers indeed want variety packs. Multiple snack types packaged or bundled together are not only an opportunity to boost sales, they also entice trial. And since portability is a key driver for increased consumption, brands that offer packaging or are forging connections with on-the-go opportunities will be brands to watch.

Santa Monica, Calif.-based Hippeas, maker of organic chickpea snacks, produces a multipack featuring its Vegan White Cheddar, sold at Whole Foods, Kroger, and Stop & Shop. "We also make variety packs of both our puffs and tortillas that can be found on Amazon," says Lindsey Valliere, VP of marketing for Hippeas.

The Merchandising Impact

While competition from new channels has increased, data from the Frito-Lay Snack Index shows that 74% of consumers still largely prefer in-person shopping for their favorite snacks. Merchandising is critical to generating trial, impulse purchases and an overall boost to the category's bottom line.

"Merchandising can definitely make a difference," says Krupa. "We are constantly moving items around to see to how customers gravitate towards them. Products at eye level always outperform,

but when you put a new similar product next to a crowd favorite, you can make the new product pop."

"It is very important for brands to set themselves apart at store level," notes Valliere. "We create unique shippers that coincide with our marketing initiatives throughout the year. Our VW Bus displays will be in stores throughout the summer as a part of our Summer of Love program." Valliere adds that the brand can also be found in check-out lanes and tied into thematic displays located at the front of the store.

Display-ready case packs remain a winning merchandising vehicle. "Whenever we can get product off shelf and create something that a customer has to move around, it increases sales," notes Ford.

An additional angle to watch going forward are purpose-driven brands. "Increasingly, consumers care about what brands are partnering with, and soon companies won't be able to get away without those alliances," says Ford. In a good example of this trend, The Snack Brigade has teamed up with Kids in Need to provide school supplies to underprivileged children. **PG**

“The smaller brands entering the market have ... nostalgia, flavor and better-for-you ingredients.”

— Rachel Krupa, The Goods Mart

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Grocers' Future Fitness Requires Strong Core

INMAR INTELLIGENCE'S SPENCER BAIRD EXPLAINS HOW. **By Mike Troy**



ransform," "optimize" and "monetize" are words heard frequently throughout retail. Each takes on increased importance and new meaning in 2021 as innovation accelerates and uncertainty is amplified by pandemic-related factors. Success in such a climate filled with competing priorities requires that retailers have a strong core to move with increased speed, agility and discipline. It's an appropriate metaphor to begin the new year, and a view held by Spencer Baird at Winston-Salem, N.C.-

based Inmar Intelligence. The veteran CPG executive and former head of merchandising at the Peapod division of Ahold Delhaize USA joined the firm in May 2020 as chief transformation officer and was recently elevated to the role of president to lead marketing technology efforts. He spoke with *Progressive Grocer* about the state of food retailing.

Progressive Grocer: People know Inmar from its origins 40 years ago as a coupon company, but since 2015, there have been 10 acquisitions, and capabilities have expanded greatly. How do you describe what Inmar Intelligence does today?

Spencer Baird: We are in the outcomes-as-a-service business. People say, "What the heck is that?" Well, you've heard of software as a service, right? You put it in place and have a vendor you work with and a call center you call any time that software doesn't work. That's insufficient in today's world, where outcomes are important. So our approach is a combination of humans with expertise, which is the real value of the acquisitions we've done. They come in at the same time we're implementing technology to help customers with stuff that's either commercially important or stuff that's back-office important to help them save the money so it can be reinvested into the commercially important stuff.

PG: Can you break it down for us?

SB: We are focused on two really important categories so that we can be the best partners of our retailers. One is in stuff that you and I as consumers would interact with. The other big category is what we call clerically important stuff, and that is all about driving efficiencies. We do everything from supply-chain returns to supply-chain return insights that we provide to CPGs and retailers — that's reverse logistics. We have a financial technology business where we've handled settlements and all sorts of reconciliation efforts for our clients for years. We've just recently announced Inmar Pay. At the point of sale, when someone pays with a credit card, we're able to tokenize the shopper for the retailer to begin building an identity that we're able to address programmatically with media, offer incentives and treat them like tribe members, whether they are in a loyalty program or not.

Then, on the other side of the house, what we call commercially important areas, we have everything from our coupon business, to our programmatic off-site media

business, to our influencer business and our c-comm business. We do owned and operated e-comm platforms for retail clients. That's the stuff that kind of has the sizzle.

PG: That's a lot to digest. What are the common themes that come up across all of those areas when talking to retailers about innovation?

SB: The biggest theme when I'm talking to c-level executives about digital transformation is to not think about technology first. It plays a role, of course, but the other 98% of the transformation equation is the mindset that's necessary, from the top of an organization down. Because the answer to whether you're innovative highly correlates with the North Star that you have chosen. If my goal is to sell you more stuff, it's going to be a pretty predictable path that I'm going to take to get there, and you're going to feel like you are meeting with a used-car salesman. When my North Star is I want to learn as much as possible with you, as a client, and you and I open up every single day, we develop a unique relationship, and innovation will be a byproduct of that.

PG: Speed is top of mind with many people when they think about innovation. How important is it to go fast?

SB: I had a conversation with a major retailer some years ago, and it asserted that it actually needed to go slower as opposed to faster. Doing so would let them get more in depth behind fewer things in order to be world-class successful. It was a really interesting discussion, and I've always taken that same philosophy. It's no different in my role here at Inmar Intelligence. We are moving fast, but it is a byproduct of the discipline we have in our core and the muscles we have built that leads to more speed and agility.

PG: Retailers are attempting to solve a lot of problems now that will determine their future success, and that success depends on asking the right questions. Are retailers asking themselves the right questions? What questions should they be asking?

SB: The question I typically hear, unfortunately, is "How do I get my monetization as a percentage of my sales to a higher level?" Which, unfortunately, very incorrectly

assumes that there's a very strong correlation between monetization as a percentage and their success as a retailer in terms of improving loyalty. A modern question that needs to be asked is "As an organization, when we're successful, being the best place to do business and being the best place for our customers to shop, what four or five things has that been the result of?" Question No. 2 is "Where are we in relation to that?" A third question is "From where we are to where we need to be, how do we get there?" These are transformative questions, with answers that correlate highly with outcomes.

PG: If those are the questions, what do retailers do with the answers?

SB: We have a very simple framework that starts with the things that will matter 50 years from now, more than they even do today. No. 1 is how many customers came in the store, visited the site or did we deliver to? No. 2 is how frequently are they doing that? And No. 3 is how much did they spend when they were here? As much as everybody loves to talk about transformation, those same three metrics were important 150 years ago. A change in mindset is also needed. When an organization goes from a mindset of selling things, hoping needs are met, to meeting needs and trusting that they will sell stuff, that is a serious shift.

PG: Let's shift gears to some real-world practical matters. Here we are, rolling into 2021 with a disrupted pricing and promotion landscape and reduced SKUs and lingering supply-chain challenges that make it hard to promote in certain categories. How should retailers and brands be thinking about pricing and promotions in the first quarter?


SB: It probably sounds counterintuitive, but for those that are on a mission to continuously improve and continuously learn, I don't think anything changes. If retailers are on a mission to always sharpen, always improve, always learn from what's working and not working, and do more of the stuff that's working versus not, I don't think the world is that different this year.

PG: What are you seeing in your data about how food retailers will be affected by a return to a more normal environment, the likely shift of market share back to foodservice now that vaccines are available?

SB: I'll start with what I don't know, and then I'll go to what I know. We don't have a forecast on how much goes back to the quick-service channel or the higher levels within foodservice. We do know from our surveys that 93% of shoppers say that the degree to which they're using online today, whether that's home delivery or curbside, will either stay the same or go up in the future. That is pretty remarkable and really interesting. It says a couple of things. One is that people still have some uncertainties, and they're not sure if they want to be around these big crowds. The second is the efforts that retailers have made to make curbside really in lockstep with their in-store experience are really paying off. No. 3 is they are saying, "Now that I've tried it, I'm good; it's my routine now."

PG: There certainly has been a psychological shift among shoppers.

SB: There's a trust element. People have grown more comfortable with trusting others to pick fresh products. That was the biggest barrier when I was at Peapod. But once it was overcome, it would lead

A portrait of Spencer Baird, a middle-aged man with short brown hair and a light beard, wearing a dark blue suit jacket over a light blue button-down shirt. He is looking directly at the camera with a neutral expression.

"We are moving fast, but it is a byproduct of the discipline we have in our core and the muscles we have built that leads to more speed and agility."

—Spencer Baird,
Inmar Intelligence

to 55 to 60 trips a year from a core shopper. It was a matter of convincing shoppers we could pick fresh as well, if not better.

PG: Are you leery of research about stated intentions, because 93% is quite high? People may behave differently, given the opportunity to return to stores without wearing masks and a greater sense of safety.

SB: I had a similar suspicion, because it is really high. My belief is we will be somewhere south of 93% in reality.

PG: If the behavior change toward digital grocery is permanent, that raises a lot of financial challenges.

SB: Retailers have to figure out how to deal with the shift in their P&L. That is the source of a lot of the questions that we get today. For every point of e-commerce penetration, if a retailer is off by 10 seconds in terms of the amount of time it takes to pick one item across the organization, then what is the bottom-line impact? Our answer to that is it can be as high as 1.5 basis points, which is significant and expensive for just one point of e-commerce penetration.

PG: If you look at the volume of transactions and number of items picked, the numbers will get big fast?

SB: They do, and that threatens overall profitability. But it also drives this need to ask, "How do I improve asset turnover and productivity so I can offset the bottom-line issue that I could potentially be incurring?" The uniqueness of our portfolio means we can help retailers attack the top and bottom of the P&L at the same time.

PG: How does a guy who's been focused on transformation and technology go about discovering innovation in the market?

SB: We have a framework that we use that categorizes products based off of the two most important questions in all of retail that are almost never asked: How much do people care about the stuff you sell, and do they care more or less than they used to?

PG: That sounds like a good place to start when it comes to looking at assortments. What's the process after that?

SB: We take the overall categories and we break them down into subcategories, because our belief is that in a world that's highly personalized, one of the biggest is-

"We do know from our surveys that 93% of shoppers say that the degree to which they're using online today, whether that's home delivery or curbside, will either stay the same or go up in the future."

—Spencer Baird, Inmar Intelligence

The Future of Payments Is Instant

GROCERS WILL GET PAID FASTER WITH NEW FED CHANGES.

By Ken Montgomery

Change in the payments industry has been accelerated by COVID-19. Merchants have responded by making it easier than ever for their customers to make in-person contactless payments and purchase goods online from the safety of their homes.

The Federal Reserve intends to support payments change with its first major new payment system in four decades. Merchants will be among those to reap the benefits.

Through financial institutions participating in the FedNow Service, businesses and individuals will be able to send and receive instant payments in near real time, around the clock, 365 days a year. Recipients will have full access to funds within seconds, giving them greater flexibility to manage their money and make time-sensitive payments.

This immediacy differentiates truly instant payments from traditional retail payment methods, including those that appear to occur within seconds from the sender's perspective, but actually can take days before funds are available to the receiver, and the banks settle the funds. This instant clearing and settlement enables these transactions to be final and irrevocable, which provides assurance and certainty to both the sender and receiver.

How would merchants be able to join the FedNow ecosystem and tap into its benefits? Working with their banks and service providers, merchants could potentially leverage the FedNow Service as a springboard to provide innovative instant-payment services. To name just a few examples:

sues in the center store is the way things are categorized, because those groupings of UPCs are today loose coalitions of things that used to have a lot in common with one another, but they don't have as much in common as they used to.

PG: Final thoughts on the state of food retailing and innovation.

SB: It's a really cool time to be in grocery, and everybody loves

to talk about what's changed. But you have to build your house on a solid foundation that you can trust and be very certain will become more important over the next 50 years. Start your house there — the other stuff is quicksand. If you think about frequency, basket size and number of shoppers, and you look at this new asset base that is available between in-store, on-site and off-site, there is innovation all over the place available to retailers. **PG**

- ▶ Instant payments, powered by QR codes and wallets, can help deliver safe and easy online buying and in-store contactless point-of-sale purchases.
- ▶ Merchants can use instant payments to provide on-the-spot refunds to customers, eliminating the costs and frustrations associated with tracking and customer support.
- ▶ Instant payments can offer a secure and convenient way to load funds onto gift, reward or pre-paid debit cards without customers needing to provide sensitive financial account information.
- ▶ Merchants can make payments immediately when they're due, helping to optimize cash-flow management and ensuring timely payments to suppliers for inventory, rent, goods and/or services.
- ▶ Instant payments can facilitate payroll that is issued daily or on demand — a feature that is especially attractive to part-time, temporary or seasonal employees. This could enhance merchants' ability to hire and retain staff.

Merchants should begin working with their industry partners now to ensure that they are able to use the FedNow Service when it becomes available.

Working with their banks and service providers, merchants could potentially leverage the FedNow Service as a springboard to provide innovative instant-payment services.

Other Benefits for Every Type of Business

Instant payments can offer benefits to corporate treasurers, accounts receivable and accounts payable departments in any type of business.

Checks comprise more than 50% of business-to-business transaction volume, according to a 2018 MasterCard study. As a result, accounts receivable and payable departments generally dedicate significant time to handle exceptions, manually track invoices, locate corresponding remittance information, manage disparate emails and conduct manual payments approval processes. Instant-payment systems in the United States and elsewhere use the widely accepted ISO 20022 standard. This standard provides a common foundation for exchanging payment messages and supports the exchange of "rich data." For example, companies can send a request for payment (e-invoice) and remittance information to automate invoicing and account reconciliation, reduce exception handling, make more timely payments, and increase the likelihood they can adhere to contractual terms.

Merchants and other businesses that operate on weekends and evenings also may improve their cash management efficiencies using instant payments. For example, peak retail sales days generate a significant amount of cash that cannot be moved over the weekend to accounts that earn a higher return. In contrast, instant payments provide inter-bank settlement that enables funds transfers from a sender's bank account to a receiver's bank account immediately and at any time.

Instant payments are prevalent in other countries, but are just now beginning to gain traction in the United States, due in part to the size and complexity of the U.S. financial system. Payment system application and service providers will use instant-payment systems as a springboard to develop new services for merchants and other end users. The world is moving at a fast pace, and instant payments will enable it to move even faster. **PG**

Ken Montgomery is the first vice president and chief operating officer of the Federal Reserve Bank of Boston and the FedNow program executive leading development of the service.

The Future of Digital Fulfillment

HOW LOCKERS, DARK STORES AND OTHER TOOLS ARE SERVING INCREASINGLY ONLINE FOOD RETAILER CONSUMERS. **By Thad Rueter**

Just before the new year, Munsee Meats, which touts itself as Indiana's premiere meat provider, made one of the latest advances in digital fulfillment — a reflection of a trend that promises to grow even more intense in 2021 as more grocery consumers shop online.

Munsee Meats began offering local customers a new method, dubbed the "Automated Farmers Market," of picking up their orders placed through the company's website.

The retailer partners with local farmers to deliver premium meats and locally sourced goods to customers in east central Indiana, covering Indianapolis, Fort Wayne and the areas between. While traditionally only servicing local restaurants and institutions, Munsee Meats expanded its vision to offer its unique selection of meats and goods to retail customers. By leveraging the QuickCollect GL system from Wheeling, Ill.-based Bell and Howell, Munsee Meats took the first step to change how local customers interact with local farmers, artisans and even restaurants by automating farm-to-table food delivery.

Once online customers place an order on MunseeMeats.com, their order will be filled and stocked in the Automated Farmers Market. Customers will then receive a confirmation QR code that their order is ready for pickup. When a customer arrives, they scan the QR code and retrieve their order from the self-serve lockers.

"We are always looking for unique ways to grow, especially our e-commerce efforts," says Jason Mauck, CEO of Muncie, Ind.-based Munsee Meats. "The QuickCollect GL is a unique locker solution that helps us offer the safest and quickest method for families to get the highest-quality meats, meals and local goods. It also enables us to scale our reach very quickly and cost-effectively. We are revolutionizing the way people interact with their local farmers and business."



The QuickCollect GL system from Bell and Howell enables consumers to get high-quality meats and meals ordered via the Munsee Meats e-commerce site.

Online Growth Spurt

One of the biggest stories of 2020 was how the pandemic produced a growth spurt in food retail e-commerce — Boston-based L.E.K. Consulting estimates that some 35% of U.S. households now buy groceries via online or mobile channels. One of the biggest stories of 2021 will be how food retailers will refashion supply-chain and fulfillment services to handle all of that e-commerce demand — and, as is the case with Munsee Meats, serve new customers and otherwise expand business.

The QuickCollect GL, part of the QuickCollect Solutions portfolio of automated pickup solutions offered by Bell and Howell, is a modular, temperature-controlled locker engineered for indoor and outdoor installations. Each column in the modular design can be remotely adjusted to any temperature, from frozen to heated, to meet any specific storage temperature requirements. The lockers will first be available in select locations in the Muncie area, with rapid expansion plans in the works.

"We are proud to partner with an innovator like Munsee Meats," says Joe Zuech, VP of online grocery solutions for Bell and Howell. "With our temperature-controlled grocery lockers, Munsee Meats can now deliver an easy, convenient order pickup option that their customers will love."

Expect to see more such innovation. The numbers point the way.



Key Takeaways

- ▶ One of the biggest stories of 2021 will be how food retailers will refashion supply-chain and fulfillment services to handle all of the e-commerce demand generated by the pandemic, serve new customers and otherwise expand business.
- ▶ Of all of the fulfillment methods, curbside pickup appears to have the brightest future, at least in the short term.
- ▶ As for the next big digital fulfillment trend, a strong case could be made for micro-fulfillment centers, which received a big boost in 2020 from pandemic shopping.



Food retailers are tailoring fulfillment operations to deal with the rise in contactless pickup and other e-commerce-related services, which have spiked during the ongoing pandemic.

According to L.E.K, for instance, without the pandemic and the improvisation that it forced upon the food retail world, it would have taken three to five years to reach the level of e-commerce achieved in 2020.

The consulting firm has found that the trend is being fueled by various demographics. These include older consumers trying online grocery shopping — L.E.K. says that of first-time grocery online shoppers in March 2020, 39% were age 60 and up. In four years, the percentage of consumers who have ever purchased groceries online could reach about 66%, according to a forecast by Barrington, Ill.-based consultancy Brick Meets Click. While not all grocers were ready for such a rapid shift, they'll need a strong e-commerce strategy going forward, the L.E.K. report notes.

Quick Reactions

Food retailers, in turn, are having to react quickly to that rapid shift — with more changes to come in 2021 and beyond.

"As consumers increasingly demand same-day delivery, grocers are expected to expand back rooms in order to create more space in stores for online order fulfillment," the L.E.K. report says. "Grocers are also likely to perform SKU rationalization in order to create a more targeted in-store assortment, maximizing the

decreased selling store space as a result of expanded back rooms, and broadening online assortment."

And that's hardly all that's going on as food retailers reconfigure their spaces — and, in some cases, offer similar services to those of Munsee Meats.

"Growth in demand for curbside pickup is expected to drive retailers to reserve existing parking lot space for pickup customers, and add lockers or automated pickup depots that customers can access via drive-thru," the report adds. "For example, Whole Foods has converted in-store cafés to e-commerce staging areas in high-order-volume cities such as Atlanta and Philadelphia. Walmart is testing automated kiosks that serve as vending machines for online grocery orders. And Hy-Vee introduced grocery pickup lockers outside existing stores and at nearby locations (e.g., in local hospital parking lots)."

Pickup's Bright Future

Of all of those fulfillment methods, curbside pickup would seem to have the brightest future, at least in the short term — and worthy of the lion's share of attention from most food retailers in 2021.

InMarket, a Los Angeles-based marketing platform and app developer, has found that curbside visits outpaced traditional grocery visits in 13 of 15 brands recently sampled.

More specifically, Lakeland, Fla.-based Publix Super Markets is the most popular supermarket chain for curbside pickup, with customers using curbside an average of four times over the quarter, more than one visit more per customer than traditional shopping trips. Food Lion, Kroger, Giant Food and Safeway (in that order) were the next most popular grocery chains for curbside pickup. Of the grocery chains sampled, Wegmans Food Markets was the only brand to record fewer curbside visits than traditional ones — one reason could be that the Rochester, N.Y.-based grocer's online prices are higher than store prices to cover the cost of picking items for e-commerce orders.

MFCs and Dark Stores

As for the next big digital fulfillment trend, a strong case could be made for micro-fulfillment centers, which also scored a big boost in 2020, thanks to pandemic shopping. L.E.K notes that "micro-fulfillment centers allow retailers to leverage existing stores in order to increase online order fulfillment efficiency and enable same-day delivery. The last-mile delivery cost



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Speaking with...

Bernard Biolchini



*EVP and CEO,
Dematic Americas*

Progressive Grocer: What are some current trends, challenges and pain points you see in the grocery industry?

Bernard Biolchini: There are several trends, many of them interrelated. Four

primary focal points are total grocery volume, the eCommerce boom, safety, and urbanization.

- **Total grocery volume** is lifting overall demand for grocery chains, both in-store and online. U.S.-based grocers have seen a 10 percent increase in YoY demand. These grocers were not well prepared to handle the increased volume and are now scrambling to prepare their supply chains for the future.
- **The eCommerce boom** has impacted grocers. Digital volumes accounted for approximately 10 percent of total grocery sales in 2020. Very few grocers were equipped to handle any eCommerce volumes, let alone the amount of today's digital orders, which make up more than 10 percent of their total revenue
- **Safety is critical.** While consumer behavior has historically revolved around quality, assortment, and price — attributes that remain important to consumers — health and safety are new attributes that surpass those original three.
- **Urbanization is increasing.** Because people are continuing to migrate towards larger metro markets, grocers are opening smaller footprint stores closer to consumers. These smaller store formats force the supply chain to deliver goods more frequently and in smaller quantities, which means being more reactive to replenishment needs is an ongoing challenge.

PG: What are some solutions Dematic offers to help grocers optimize and improve operations in this rapidly changing industry?

BB: Even before the pandemic, Dematic's focus had been about bringing our customers proven and innovative solutions to help solve their intralogistics challenges. We are obsessed about our customers' success. A few solutions being implemented in our customers' facilities now include:

- **Micro-Fulfillment.** These are solutions for deployment in the backroom of stores to support the increasing demand for e-commerce grocery fulfillment. They allow grocers and retailers to fulfill online orders in closer physical proximity to customers, greatly reducing the last mile delivery times.
- **Flexible Mixed Case Fulfillment.** Our high-density inventory storage and retrieval systems are fully automated to build store-ready pallets, primarily for the Grocery and Food & Beverage industries. These systems ensure cube optimization improvements and highly efficient packing, which means fewer trucks are needed for delivery. In addition, shelf-ready pallets allow for the quickest possible stocking of store shelves.
- **Deep Lane Pallet Storage.** These systems allow for increased storage density and high throughput from production to shipping. Retailers can fit more inventory into less space and process it faster and more efficiently.

PG: As you mentioned, disruptions have created a shift in how and where consumers shop for groceries. How does warehouse automation help retailers adjust to the influx in eCommerce?

BB: Automation has become a matter of survival. eCommerce fulfillment can be expensive for manual operations — much more expensive than store replenishment. Automation reduces fulfillment cost and speeds up order fulfillment. We design our automated fulfillment solutions to flex up or down as demand requires. Systems can operate in the backroom of retail stores or in dark stores as the hub in a hub & spoke operation. In any case, it is important to have a trusted partner that can help retailers not only with their individual stores but also with their entire ecosystem.

PG: For those in the grocery industry who have not been introduced to automation, where should they start?

BB: There are ways to get into automation without a daunting initial investment. Dematic can provide a path to addressing operations with automation that leads to future growth. We can scale with you to meet the needs of your operations. We offer full end-to-end solutions that go beyond the four walls and are supported through the entire lifecycle of your system.

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is shifted to the consumer, who drives to the store to pick up their click-and-collect purchase.”

Those facilities allow for automated picking, reducing manual labor costs, and typically cover 70% to 80% of an order — in many cases, employees will need to manually pick bulk items and frozen and refrigerated items, although innovative efforts could eventually help solve that program if the micro-fulfillment trend continues to gain energy.

So-called “dark stores” are being used by Austin, Texas-based Whole Foods Market and other retailers, meanwhile, to help handle digital fulfillment tasks. Make no mistake: Using empty retail space to fulfill online orders is a larger retail trend. In late 2020, for instance, Los Angeles-based commerce real estate and services firm CBRE found that stores could increasingly take on such functions as high-tech fitting rooms, hospitality lounges, on-site processing of merchandise returns, and the shipment of online orders.

“Brick-and-mortar stores will remain vital for retailers for branding purposes and essential customer interaction, but the store’s purpose will shift to supporting the rise of the multichannel consumer.”

—John Morris, CBRE

These are just a few of the features and functions that retailers are adopting to meld in-store shopping and e-commerce fulfillment in the same space, according to CBRE’s report.

“Brick-and-mortar stores will remain vital for retailers for branding purposes and essential customer interaction, but the store’s purpose will shift to supporting the rise of the multichannel consumer — a consumer who uses physical stores, e-commerce, mobile commerce, and social media for shopping and purchasing,” says John Morris, CBRE’s Retail and Industrial & Logistics leader. “This will be key for cost control, as shipping for online orders can eat away profits if retailer supply chains are not efficient. To improve this, stores will now include a big portion of their overall footprint for inventory control, product sorting and shipping/receiving.”

Digital fulfillment continues to advance, with best practices promising to emerge alongside more experimental innovations. This time next year, it’s not unreasonable to expect that more companies like Munsee Meats will have launched their own new tools to serve the increasingly digital food retail customer. **PG**

A New Approach to Digital Grocery

TOP DUNNHUMBY EXEC OFFERS INSIGHTS ON DATA-LED, CUSTOMER-FIRST STRATEGIES.

By Daryl Wehmeyer

The world of category management was rocked this past year by COVID-19. Grocery retailers and brands had to learn in real time which products and categories mattered most and quickly move their resources to respond to customers’ needs. Procter & Gamble quickly cut out the most inefficient SKUs and brands in its categories, PepsiCo cut 20% of its products, and General Mills pared back nearly half of all of its soups.

As the pandemic ebbed and flowed, so did consumer behavior. By the fall, with a slower recovery than originally predicted playing out, value has become a more important driver of choice. Slightly more than 91% of consumers reported that they were paying close attention to price, according to the fifth installment of the Consumer Pulse survey dunhumby launched in March 2020. As we enter 2021, grocery retailers will need to raise the bar on their category management so they can outperform in the challenging months ahead.

Understand Merchandising Roles and Tactics

To build data-led, customer-first, collaborative category management, the first step retailers need to take is to link corporate strategy to commercial strategy. This will ensure that a retailer’s limited resources are invested in the best way possible across the portfolio for customers, while delivering against corporate objectives. Retailers need to understand which categories matter most to their customers and which categories matter to their overall financial performance.

To link corporate strategy to commercial strategy, retailers need to examine 1) customer-first category roles, 2) category lever DNA, 3) assortment, and 4) private brands.

Each category plays a unique role in a retailer’s portfolio. To support your categories effectively, it’s important to understand the role of each category so that you can invest accordingly. You do this by examining customers’ behavior (i.e., what and how they buy) and their attitudes. This helps determine which categories matter most to customers, and influences their decision to shop a retailer.

Equally important is what a category means for the retailer's financial performance — that is, which categories make or break the P&L. When you consider these two dimensions simultaneously, you have a complete picture of the role each category plays in your portfolio, and you can plan your investment accordingly.

In the same way that not all categories are created equal, not all categories can be activated using the same merchandising tactics. Retailers need to invest in merchandising tactics according to each category's unique merchandising DNA. The most important levers are assortment variety (how important product breadth is), innovation (how important new products are for a category), availability (level of importance of products being in stock per category), promotions (each category will respond differently to promotions), and private brand (this plays different roles for customers in different categories). We have found it very important to map each of these merchandising levers with category roles.

Assortment and private brands have become increasingly important during COVID-19. With the sudden rise of food at home, retailers and brands need to make sure that they're covering the key customer need states with the right assortment. By using customer data science, retailers can build the right assortments by analyzing customer need states, generating prescriptive assortment recommendations, defining core minimum "must stock" assortments, and tracking and diagnosing out-of-stocks.

The next step in building customer-first category management is to determine whether your private brand is providing value for customers. To do this, retailers need to use customer data to 1) understand private-brand importance, 2) compete with discount-

ers, 3) showcase the private brand, 4) track evolving customer behavior, and 5) innovate where relevant.

Establish a Retailer-Supplier Collaboration Model

COVID-19 has illustrated that each phase of the crisis calls for different merchandising tactics, and this will also apply to the post-crisis phase. With supply chains back on track, retailers can prioritize new winners, cater to emerging needs and expand assortment where important. To really put your customers first requires retailers and brands to build a customer-first collaboration model.

Sharing retailers' customer-first frameworks, roles, lever DNA and category objectives with brands enables them to support a common category plan for the good of the category and customers. As a result, brands can be actively involved and focus their efforts on the right categories and levers in the planning and execution work that will take place.

Some examples of ways that retailers and brands can collaborate include:

- ▶ **Using** a self-service customer insights platform to share customer data insights for a "single source of truth."
- ▶ **Building** customer-first assortments by optimizing assortment based on a solid understanding of customer need states, substitutability and product performance.
- ▶ **Optimizing** the retailer's promotion plan by working together with brands to invest in the right promotion strategies based on an understanding of customers' responses to price changes and price perception.
- ▶ **Tracking** and identifying out-of-stocks, and identifying stores, distribution centers and DSD suppliers to focus on.

2020 has been a transformative year for the grocery industry. Online shopping hit its tipping point. Consumers consolidated their trips; tried new brands, categories and stores; and doubled down on value. Further, many retailers and brands learned to adapt and be nimble amid changing conditions and behavior. Now is the time for retailers and brands to work together to raise their game. By using your customer data, you can raise the bar on your category management game even further so you can outperform in 2021. **PG**

Daryl Wehmeyer is head of category management, North America for Chicago-based dunnhumby.

To support your categories effectively, it's important to understand the role of each category so that you can invest accordingly.



Retail Refrigeration Stays Chill Under Regulatory Pressure

FOOD RETAIL OPERATORS ARE RE-EVALUATING THEIR SYSTEMS TO COMPLY WITH REGULATORY MANDATES AND SUSTAINABILITY OBJECTIVES WHILE ACCOMMODATING E-COMMERCE FULFILLMENT.

By Marian Zboraj



As climate change concerns intensify, the need for sustainable refrigeration is growing. In fact, the refrigeration systems used in food retail have been called out by the U.S. Environmental Protection Agency for years as being a primary contributor to indirect greenhouse-gas emissions.

And now, as the nation prepares for a Biden administration that favors ambitious climate policies, retailers of food and consumables could be looking at stringent new requirements regarding emissions.

With new regulations looming, food retailers are under more pressure to make the transition to low global-warming potential (GWP) refrigeration systems.

California's Crackdown on HFCs

The state of California has been a pioneer in developing regulations to reduce climate "super pollutants" for years. Just recently, in December, the California Air Resources Board (CARB) approved first-in-the-nation rules to curb the impact of powerful artificial refrigerants. The new rules affect commercial and industrial stationary refrigeration units such as those used by large grocery stores.



Hussmann's Smart Exchange Locker is flexible enough to be stationed either indoors or outdoors.

The refrigerants, known as hydrofluorocarbons (HFCs), are considered super pollutants because their impact on global warming can be hundreds to thousands of times greater than that of carbon dioxide. For example, R404A is an HFC blend that has been used for many years as a long-term refrigerant for commercial applications, but has come under scrutiny due to its high GWP.

"Chemical refrigerants are fast-acting super pollutants, and the fastest-growing source of climate gases in the world today," says Mary D. Nichols, chair of Sacramento-based CARB.

"And as the earth grows warmer, people will need to cool food, medicine and their buildings even more than we do today. We need safer alternatives to be deployed as fast as possible."

California is required to reduce HFC emissions 40% below 2013 levels by 2030 under Senate Bill 1383 to help the state achieve its goal of carbon neutrality. CARB estimates that the rules will achieve annual reductions by approximately 3.2 million metric tons of greenhouse gases in 2030.

Take note: Laws aimed at reducing HFC emissions aren't only occurring in the state of California. Sixteen other states have passed legislation that regulates HFCs, based on California's rules, or are currently in the process of doing so.



Key Takeaways

- ▶ As the nation prepares for a new presidential administration that favors ambitious climate policies, food and consumables retailers could be looking at stringent new requirements regarding emissions.
- ▶ Natural refrigerants such as CO₂ and hydrocarbons are environmentally safe alternatives to traditional HFC refrigerants.
- ▶ The pandemic has forced retailers to re-evaluate the refrigerated staging areas for grocery pickup, because of the increased number of online orders.



Leer's Refrigerated Online Grocery Pickup solutions provide turnkey options that allow retailers to get a new temperature-controlled storage unit up and running quickly.

Refrigerants Go Au Naturel

According to the nonprofit North American Sustainable Refrigeration Council (NASRC), food retailers are the key to solving the HFC problem. The average food retail system contains thousands of pounds of refrigerant that leak 25% each year. Mill Valley, Calif.-based NASRC says that this is equivalent to the emissions from powering 12 million homes, which is roughly the number of households in the state of California.

Transitioning to climate-friendly refrigerants is an effective way to reduce greenhouse-gas emissions. Natural refrigerants — including CO₂ and hydrocarbons — are environmentally safe alternatives to traditional HFC refrigerants.

"R12 was the go-to refrigerant from its introduction in the 1930s until the 1990s," notes Geoffrey Gould, marketing manager at New Lisbon, Wis.-based Leer Inc. "Since then, technology improvements and environmental awareness have driven refrigerant transitions every 10-15 years. Our last transition was in 2007, when we began using R404a. Technology and global environmental awareness have enabled the introduction of a much-improved refrigerant, R290, in 2020."

Classified as a hydrocarbon, R290 is a refrigeration-grade propane, suitable for a range of applications. The high-performance refrigerant provides higher thermal conductivity to help lower running costs, a longer compressor life to lower high side compressor pressures, and less unpredictable temperature variations.

This nontoxic refrigerant provides ultra-low GWP and zero ozone depletion potential (ODP), so it's projected that R290 will have long-term approval as a commercial refrigerant.

R290 is currently used in Leer's Ice Merchandisers and will soon be used in the company's Reach-In Storage Coolers and Freezers.

"At Leer, we investigated many options before choosing to make the switch, and we felt confident enough in R290 propane refrigerant that we invested hundreds of thousands of dollars into equipment and testing for this transition," says Brian Nemec, Leer's director of engineering.

CO₂, another natural refrigerant, is also fast becoming food retailers' refrigerant of choice. Denmark-based Danfoss claims that by switching over to CO₂ from HFCs, food retailers can reduce their stores' GWP to as low as 1.

Since high upfront costs are the primary hurdle in preventing the adoption of eco-friendly refrigerants, NASRC launched a pilot program for food retailers this past June to offset the upfront costs of natural refrigerant technologies.

Cool Developments in Refrigeration

The new microSC air-cooled self-contained merchandisers from Bridgeton, Mo.-based Hussmann Corp., a Panasonic company, use the R290 refrigerant, providing energy savings of between 30% to 65% and an ODP of zero. R290 also enables the system to achieve a GWP rating of 3, compared with the average HFC refrigerant rating of greater than 1,300. The microSC line currently includes glass door merchandisers, a multideck with French doors, open multidecks, an open bunker, and horizontal self-service merchandisers. More cases will launch at the end of 2021.

The COVID-19 pandemic has also forced retailers to re-evaluate the refrigerated staging areas for grocery pickup, because of the increased number of online orders.

"With the surge of demand in online grocery, grocers had a refrigeration bottleneck," explains Gould. "They needed cooler and freezer space at the point of need, which was often the front of the store. This is where they would stage pickup orders prior to the customer's arrival." Gould advises retailers to start configuring their spaces now to meet the ongoing e-commerce demand, ease stressed operations and build for a more efficient future.

Leer's Refrigerated Online Grocery Pickup solutions can help provide precisely configured cooler and freezer storage space for retailers. The interior space is optimized so that the maximum number of orders can be stored at the point of need, eliminating unnecessary steps and minimizing any risk of spoilage.

Last October, Hussmann introduced its Smart Exchange Locker. The secure self-service Smart Exchange Locker provides grocers with a flexible option for omnichannel strategies. The lockers enable shoppers to pick up their goods at a time and location that works for them. Designed to meet changing customer needs, Smart Exchange is flexible enough to be stationed either indoors or outdoors. Modules are available in frozen, refrigerated and ambient temperatures. Smart Exchange meets the U.S. Department of Energy's energy-efficiency requirements.

Additionally, Danfoss has launched a new CO₂ Mini-Pack Solution to make it easy for the owners of small-format stores to harness the benefits of CO₂, which has traditionally been used in food retail with large-scale refrigeration equipment. The solution, introduced this past November, includes the CCMT Light, an electric pressure-regulating valve optimized for transcritical CO₂ refrigeration, and the AK-PC 572 Pack Controller that makes using CO₂ approachable, even for those with little to no experience with it. According to Danfoss, the small system footprint is designed to be fully serviceable, its pressure and temperature sensors ensure food quality, and its optimal energy efficiency and pack security keep operational costs down. **PG**

Getting Cute With Clean

CHEEKY PANDA HAS BECOME A LIFESTYLE BRAND IN AN UNLIKELY CATEGORY.

By Mike Troy

Disruption isn't normally associated with the toilet paper category, but a quirky company with a unique brand called Cheeky Panda is out to change that perception and save a lot of trees. Founded in 2016 in the United Kingdom, London-based Cheeky Panda has its origins in Europe, where it entered the market with a limited range of items. It gradually gained distribution with major retailers there that aligned with the upstart company's vision of sustainability, and soon the momentum allowed for entry into other product categories that could be manufactured with bamboo.

Cheeky Panda decided to enter the U.S. market last May, right about the time that Americans were behaving irrationally and hoarding all types of paper products. The surreal scenes of long runs of empty shelves forced retailers to impose purchase restrictions on whatever product quantities they were able to procure, and that created an opening for Cheeky Panda.

"The shortages definitely accelerated our conversations with major retailers. It has probably moved us forward as a brand by 12 to 18 months," says Chris Forbes, who co-founded the company with his wife, Julie Chen. "We have been talking to all the major retailers in the U.S."

What Forbes and Chen have been talking about is a brand with a unique value proposition that checks

“I was running a global executive search business working with financial services firms and hedge funds, so it was a bit of a change for me, stepping out of financial services to selling toilet paper. I went from the top end of the market to the bottom end.”

—Chris Forbes, Cheeky Panda Co-founder

all of the boxes when it comes to global mega-trends that are driving purchase of some of the best-selling brands. Cheeky Panda's products are made with bamboo, which is a marvel of nature due to its abundance, fast-growing nature and biodegradability. There are more than 1,000 species of bamboo, and its fibers are suitable for everything from apparel to furniture to flooring to even products soft enough to touch consumers' most sensitive areas. Bamboo's versatility and environmental attributes are summed up in Cheeky Panda's advertising slogan: "Sustainability never felt so good."

"When we were going to meet Julie's parents for the first time in China, we squeezed in a visit to the factory where we were going to make our products. The thing that struck me the most was it took about five hours from the airport to the factory, and the whole way, all we saw was bamboo," Forbes recounts. "Bamboo is an amazing material."

In addition to relying on an ample and renewable source of raw material, Cheeky Panda lives its sustainability mission in other ways to help drive authenticity. The company maintains that its products have "no chemical nasties"; it's a Certified B Corporation, which means that it meets the highest standards of social and environmental impact; and it doesn't use plastic as an outer wrapping on its core products.

"We are showing the big guys that they don't have to use plastic," Forbes asserts.

Julie Chen and husband Chris Forbes, shown here with son Leo, founded Cheeky Panda in 2016.





From the Top to the Bottom

Forbes and Chen founded Cheeky Panda in 2016, when Chen was looking for a more rewarding career.

"I was running an online shoe business, and I had taught myself a lot about digital marketing and social media," Chen says. "I always want to do something bigger and more meaningful. Shoes are shoes, and they are my passion, but they aren't that meaningful."

She started designing packaging for a brand that would be rooted in sustainability, with bamboo as the primary raw material source; launched a crowd-funding campaign; lined up production capacity; and secured a spot on Amazon's Launchpad, a platform billed as a place where shoppers can "discover big ideas from small brands."

Cheeky Panda certainly fit that bill, and Forbes shared his wife's vision enough that he walked away from his career to help build an innovation-focused, authentic company intent on disrupting a mature category.

"I was running a global executive search business working with financial services firms and hedge funds, so it was a bit of a change for me, stepping out of financial services to selling toilet paper," Forbes notes. "I went from the top end of the market to the bottom end. We started with toilet paper; then people said, 'Can you do facial tissue?' and would ask about other products. If there is a market for it, we run with it."

That's what's good about being a small brand, according to Forbes, who describes himself as an "environmental entrepreneur." Cheeky Panda has the ability to make decisions very quickly and take risks, which has enabled it to grow its brand portfolio to 20 items across four categories available in 23 countries. It also helps that the company, like many small brands, stands for something.

The distinctively packaged Cheeky Panda portfolio now consists of 20 products in four categories available in 23 countries.

"We are a purpose-driven, high-quality lifestyle brand focused on sustainability," Forbes says. "We are also a fun brand."

The fun, playful nature of the brand belies a fairly dramatic growth story with even bigger potential. Available in the United States for less than a year, Cheeky Panda has secured major distribution deals with such notable companies as Rite Aid and United Natural Foods.

"We have the capacity to manufacture 100 million pounds in our current supply chain," Chen says. "That is a reasonably good size, but the market is so big, it is a fraction of the market. The combined categories we are in are valued at about \$50 billion."

Products are currently sold under the Cheeky Panda brand in categories such as household, which includes toilet paper and facial tissue; baby; beauty; and professional services, including janitorial products.

A Toilet Twin

Giving back is a key aspect of any values-driven brand, and Cheeky Panda is no exception. It supports three main organizations: Whale and Dolphin Conservation, the World Land Trust, and Toilet Twinning. Then, to secure organizational support, it created Team Ocean, Team People and Team Earth among headquarters employees to align with the respective groups.

Toilet Twinning is the most novel of the groups, and a great fit with Cheeky Panda's flagship product. The organization uses donations to help build toilets in areas of the world that lack them, increase access to clean water and promote hygiene principles. Those who donate become a "toilet twin" with the one they helped build, and even receive an image and the coordinates of their toilet counterpart. **PG**

Safety First

PACKAGING MANUFACTURERS ARE MAKING SURE THAT THEIR PRODUCTS PROTECT AGAINST VIRUSES LIKE COVID-19, AS WELL AS OTHER FORMS OF CONTAMINATION. **By Bridget Goldschmidt**

For understandable reasons, during the pandemic, retailers and consumers alike became preoccupied with safety. One particular focus has been on keeping surfaces clean to prevent the spread of COVID-19 via fomites (objects or materials likely to carry infection). Although, as the Atlanta-based Centers for Disease Control and Prevention advises, “The risk of infection by the virus from food products, food packaging or bags is thought to be very low,” worries persist, so the packaging industry is meeting this heightened need for safety with products designed to guard against viral infection, even as such perennial issues as spoilage and tampering continue to be addressed with new offerings.

Indeed, when it comes to the safety of packaging, Claude Marbach, CEO of Chicago-based Ardagh Metal - Beverage North America, asserts: “There should be no weak area of a store. Consumers should be 100% confident that any purchase of food and beverages will adhere to FDA regulations and be packaged for full consumer safety.”

Well and Good

In response to the pandemic, DS Smith unveiled in December “an exclusive partnership with the company Touchguard to develop a new range of sustainable cardboard packaging to protect consumers against potentially harmful bacteria,” notes Melanie Galloway, VP of sales, marketing and innovation for packaging at London-based DS Smith, whose U.S. headquarters is in Atlanta. “Touchguard’s patented technology is effective against a number of bacteria and viruses, including envelope viruses, of which COVID-19 is a member.”

“Recent surveys by DS Smith have found growing retail and consumer interest in products with hygienic packaging, especially amid the pandemic that has boosted e-commerce nationwide and increased demand for shipping boxes,” observes Galloway. “While it can never replace good hygiene best practices and procedures, 100% recyclable technology like Touchguard has the potential to bring a real and proven additional layer of protection to DS Smith customers and their consumers as packaging moves through the supply chain.”

Asked what part of a food store has the greatest need for packaging that protects against illness, spoilage or tampering, Glen Adamik, director of strategic marketing at Commerce, Calif.-based LK Packaging, says: “I can answer in three words: kitchen, case, carry.”

Adds Adamik: “Any service or retail business needs to consider the clear message its effectively performing packaging sends about the company’s safe-handling standards, especially of food or drug items. Not only will this address new demand from employees and consumers alike for tighter



Key Takeaways

- ▶ The packaging industry is meeting a pandemic-inspired need for safety with products designed to guard against viral infection, even as such perennial issues as spoilage and tampering continue to be addressed with innovative offerings.
- ▶ A new area that can help brands and retailers deal with food spoilage and contamination is smart or connected packaging, which would enable businesses to create end-to-end traceability while improving automation and efficiency.
- ▶ The future is likely to bring more configurations in packaging that include antimicrobial, extended-shelf-life and tamper-evidence features.

Tetra Pak now offers a tamper-evident Wing Cap on some packaging, allowing cartons to be opened in one step, without foil or plastic tabs, and then resealed.



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controls, after some hard lessons about hygiene this year, it will also address the rise in prepared goods bundled for carry-out or delivery. That includes any back-of-house unload, prep or merchandising, plus front-of-house pay, pickup and arrival — with more food sales in that order.”

Regarding particular solutions, Adamik notes: “We’re producing bags now with some amazing antimicrobial technology that’s proven to kill 99.99% of coronavirus. It’s available in other products, like gloves and films, and has even been shown to extend the shelf life of certain foods.”

In considering which packaging forms are among the least likely to spread disease, retailers and consumers can have confidence in the ubiquitous can. Marbach points out that “regarding the pandemic or other communicable illnesses, the high temperatures of can manufacturing and thermal treatment across the filling process will deactivate any living virus.”

The public-health crisis has presented other concerns beyond infection with the coronavirus, however.

“At Tetra Pak, we work closely with our customers to address the new retailer and consumer concerns presented by COVID-19,” observes Pedro Goncalves, VP of marketing, U.S. and Canada at the multinational company, whose head offices are in Sweden and Switzerland. “Our existing packaging portfolio is already well suited to address these concerns, but there are new opportunities to deploy our technology. One example is incorporating aseptic processing and packaging to protect their products longer without the need for refrigeration. As consumers look for ways to decrease the number of trips to the grocery store by buying in bulk or ordering online, shelf-stable, long-life options are an ideal fit.”

Adds Goncalves: “In the case of dairy, aseptic packaging ... has proven more valuable than ever as we’ve managed through the pandemic. Because it keeps sensitive products like milk safe and secure for up to a year without the need for refrigeration, it won’t go bad if stored in the pantry unopened for an extended period, making it a great fit for e-commerce, buying in bulk and reducing shopping trips.”

“With the pandemic, social distancing has accelerated the online grocery shopping trend,” notes Fabio Thomazelli, executive director, global marketing, food proteins at Charlotte, N.C.-based Sealed Air. “This trend is creating the need for versatile, case-ready packaging, suitable for both e-commerce and the brick-and-mortar retail channels, both of which need to maintain the integrity of the products.

... Some of the key features in packaging in this area are robustness in distribution, leak-proof hermeticity that becomes evident when the packaging has been opened, and increased shelf-life. Additionally, centrally packed meat, with higher levels of automation/touchless solutions, have gained importance because they bring more safety to both employees and consumers, preserving social distancing and decreasing the amount of people handling the product.”

LK Packaging is trialing a recyclable non-PVC Red Rock film that Director of Strategic Marketing Glen Adamik says “shows rates of the oxygen transmission fresh foods crave at levels higher than I have ever seen in an overwrap film.”



Among Sealed Air's solutions protecting against spoilage and contamination is its Darfresh vacuum skin packaging for case-ready fresh meats.

No Spoilers Ahead

In the ongoing quest to offer packaging solutions that keep food fresher longer, manufacturers are building on their previous successes.

Marbach asserts that the can “delivers a solid barrier [against] light and air that enables ingredient integrity and protection against spoilage,” and that Ardagh is “increasing capacity to produce more beverage cans across all sizes, supporting the increasing move by our customers toward beverage cans. Beverage brands are recognizing the can’s inherent package safety advantages.”

“Just about all of our packaging is designed with the right layers of materials that provide conditions that are optimal for its expected contents, including how to keep foods fresh and avoid damage from typical handling,” says LK’s Adamik, pointing to such exciting options as multifunctional Ready, Chef, Go! branded packaging that he describes as “new cook-in boxes with vibrant prints on them — yes, your shopper cooks food right in the same box that’s acting as a mini merchandiser in your case and in their cart.”

Also, just out of R&D and currently being trialed with a select group of retailers and processors is a recyclable non-PVC Red Rock film that Adamik says “shows rates of the oxygen transmission fresh foods crave at levels higher than I have ever seen in an overwrap film.”

In fact, innovative technology stands to transform packaging as we know it.

“As a packaging supplier, we know that packaging technology plays a huge role in preventing spoilage and contamination,” notes Tetra Pak’s Goncalves. “From the construction of the package itself to opening mechanisms, caps and closure, each element plays a vital role in keeping the food or beverage inside safe. ... [O]ne new area that can help brands and retailers address food spoilage and contamination is smart or connected packaging.”

He goes on to explain how one of his company’s cutting-edge offerings works: “Digitalization is changing the role



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of packaging. The Connected Package allows food and beverage producers to turn their packages into full-scale data carriers offering increased traceability, and value for each stakeholder in the entire value chain. In future, new forms of intelligent packaging will become feasible based on a complete connection to the internet of things. This will enable packages and devices to talk to each other, thus providing new levels of service and insights for customers and consumers."

"Smart packaging and digital printing are the next frontiers in terms of development," agrees Sealed Air's Thomazelli. "We believe in a digital future in which every package has a unique digital life enabling businesses to create end-to-end traceability while improving automation and efficiency across the value chain."

As a result of improved quality control, "retailers and e-retailers can get greater visibility with real-time insights, enabling distributors to track stock movements, track products through the value chain and monitor delivery performance," Goncalves explains, adding that more sophisticated food and beverage operations would enable greater connection with consumers: "For example, connected packaging opens up a world of new possibilities to engage consumers on food safety. Imagine if intelligent packaging could communicate with smart appliances in the home, then share that information with your smartphone. You could have instant and accurate information on not only the stock of products at home, but also the remaining life of each product via technology, like dynamically updated expiration dates."

Can't Touch This

With product safety top of mind in the current climate, tamper-proof and -evident packaging solutions have become more crucial than ever.

"Tamper-proof packaging is extraordinarily important in the delivery of food and beverages, a key component in the building of trust in a brand," affirms Marbach. "The tight seal and tamper-proof nature of the beverage 'end,' or top, of the can, is clearly visible and obvious and ... is increasingly becoming a value-add to brands."

The Connected Package platform from Tetra Pak enables food and beverage manufacturers to interact with consumers and track products via unique QR codes on packaging.



Multifunctional Ready, Chef, Go! branded packaging from LK Packaging enables shoppers to cook food in the same box in which it's merchandised.

"Tamper evidence is intrinsic to all of our solutions," notes Thomazelli. "Our case-ready packages are hermetically sealed and, when opened, it becomes evident. The principle of vacuum sealing, the core technology introduced by Sealed Air under the Cryovac brand since the beginning of our operations, is the most solid tamper-evidence solution. Even our resealable solutions are tamper evident."

"Today, all our caps and closures include some method of tamper evidence," says Tetra Pak's Goncalves. "In some cases, this is in the form of a two-step opening that features a cap and a pull-tab. However, in response to consumer demands for convenience and simplicity, we also offer a wide range of one-step openings that combine easy opening with distinctive tamper evidence. ... With the screw-cap design, it's easy to reseal and refrigerate any remaining product."

"Considering the curbside economy that shows few signs of losing steam, we've ... developed a host of tamper-evident Fast Take branded packaging for items large and small, and items specific to food or drink deliveries," says LK's Adamik.

"With the addition of the Eco-Lok and the 909 Tamper-evident machine, Kwik Lok is offering additional safety and sustainability options that meet consumer demands," notes Karen Reed, director of marketing and communications at the Yakima, Wash.-based company, which makes bag closures for such items as produce and baked goods. "The 909 Tamper-evident machine creates a laser stitch across the top of the bag. Consumers can easily tell if tampering has occurred before they make a purchase. Once they have their purchase at home, the consumer can reclose the bag with our Eco-Lok to maintain freshness."

Noting that "we'll continue to look at food packaging through a [personal protective equipment] lens" even after the pandemic is history, Adamik predicts: "I think we'll see more configurations in packaging that include those three elements of antimicrobial, extended shelf life and tamper evidence. Packaging could even do its part to help rebuild communities as communal contact slowly comes back into fashion — for example, made-in-store meal kits, crafted for pickup and delivery, designed by local chefs and with their local restaurants' brands, on the shelves of their local grocers." **PG**

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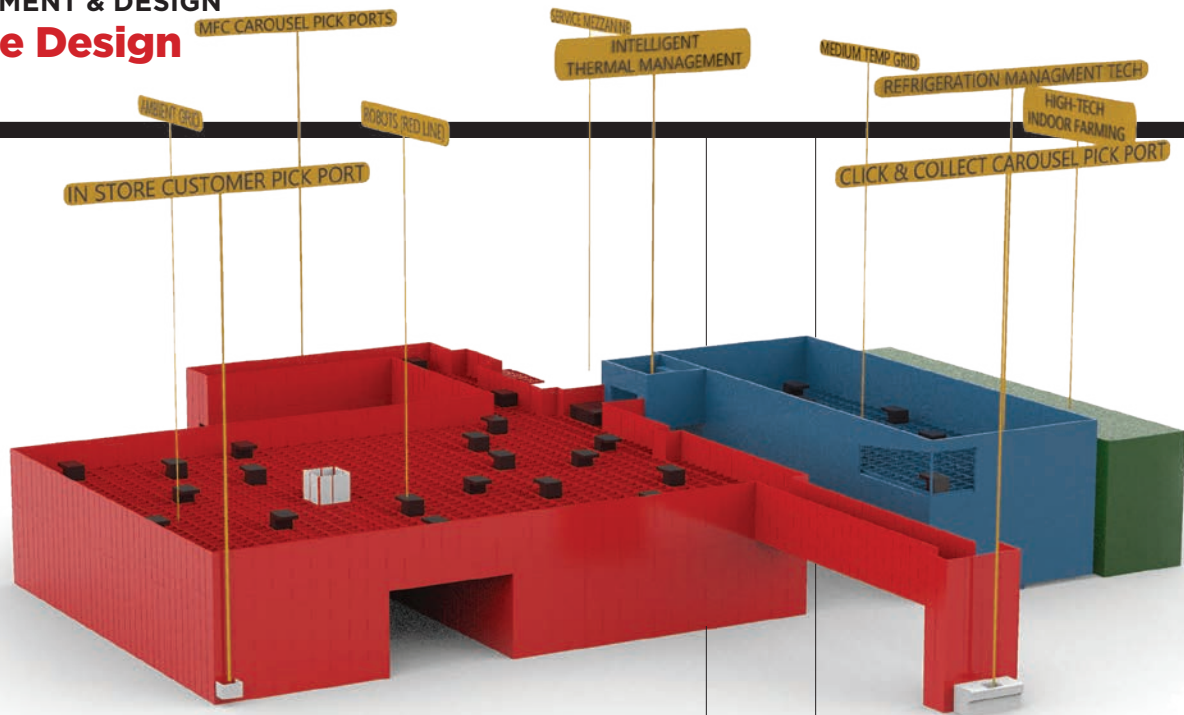


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Small Formats' Big Future

AN INDUSTRY EXPERT WEIGHS IN ON THE SIZE OF THINGS TO COME.

By Steven Duffy

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ith the advent of a new year and decade, there's no better time to address the topic of format as grocers continue to gravitate toward smaller store sizes, an accelerating trend. As the stage is set for what's next, during 2020 we experienced increased preparation of meals at home, reaffirming grocers' place in our lives. As we head into 2021, grocers

will strive to intelligently implement planning from an omni-retailing stance, influencing the types of stores and how they're networked. Here are considerations for how small formats are part of that future strategy.

Why and What Is Downsizing Format?

As a trend over the past decade, retail footprints have steadily decreased in size. The average grocery store size is currently 38,000 square feet, with small formats ranging in size between 12,000 square feet and 25,000 square feet, and even smaller in urban markets. Retail as a whole has focused on reducing footprints for a decade, chiefly to manage cost and profitability. The cost of capital to develop and deploy grocery real estate is nearly double that of conventional retail, based upon the fixtures, furnishings and equipment required to fit out a store. As work from home grows, it enables a move toward shopping closer to home. This shift in how we shop is an opportunity for grocers to

Smaller, faster and more efficient are key design considerations shaping the food shopping experience of the future.



Key Takeaways

- ▶ In 2021, grocers will strive to intelligently implement planning from an omni-retailing stance, influencing the types of stores and how they're networked.
- ▶ The significant adoption of e-commerce will holistically transform store formats in terms of convenience and a frictionless experience.
- ▶ Three critical factors for any format's success in driving engagement are assortment, value and convenience.

re-evaluate their store portfolio, clustering network and formats, significantly leveraging new real estate opportunities.

The labor needed to operate and serve customers is higher, and grocers and equipment vendor partners are continually seeking ways to deliver fresh or prepared foods with greater efficiency and high quality. Other factors driving smaller formats include more narrowly

designed brands targeting product offerings focused on specific segments, such as everyday low prices and fresh campaigns. Another consideration is larger grocers that target geography/demographics to serve urban markets.

By concentrating on specific product categories, grocers are seeking to engage with customers in more authentic ways. Promotional food products and in-store merchandising techniques are becoming more critical. Sales loss for promotional products was accelerated in 2020 under increased pressure as shoppers re-evaluated priorities and e-commerce fulfillment reliance. The significant adoption of e-commerce will holistically transform store formats in terms of convenience and a frictionless experience.

As we address the landscape of smaller, more flexible stores outlined above, let's consider a shopping list of considerations in store design and planning — the nexus to delivering a profitable retail experience center in the design process. Let's unpack some essential strategies and techniques, with a focus on the design process.

Planning and Design: Considerations Checklist

Three critical factors for any format's success in driving engagement are assortment, value and convenience.

Assortment: SKU rationalization, also known as product optimization, is how grocers continuously evaluate which products are retailed or discontinued based on their profitability. It's an essential practice for maximizing profitability and merchandising areas required to achieve smaller footprints. Trader Joe's is well known for its select product offerings, as it offers roughly 4,000 SKUs, while typical grocers sell between 30,000 and 50,000 SKUs.

Value: Brands continued their successful strategy during 2020, including Aldi and Lidl, with limited or no service offerings.

Convenience: The basis of store format size is to simplify and expedite the shop. Adding to this basic premise are new technologies to enhance this shopper expectation.

Smart Shopping Store Technologies

Frictionless checkout: The checkout process remains the top retail pain point. Beyond Amazon, this is a topic on the forefront that will transform the shopping experience and deliver the sales area back into the store, reducing and eliminating manual checkout processes.

Wayfinding/augmented reality is also on the horizon.

Buy Online, Pick up In-Store (BOPIS): Grocers are prepared for the second generation of click-and-collect, implementing multiple options anytime, anywhere.

Options for pickup include curbside, or dedicated food lockers such as multi-temperature smart lockers, which have been used in Europe for years.

Applications for "just-in-time" pickup enhance convenience by reducing wait time. Several companies are providers within this space.

Consider These Equipment Technologies

Flexible intelligent fixtures and equipment:

Manufacturers are delivering into the market an entirely new generation of equipment.

Smarter equipment leveraging data connected to the "internet of things" to monitor operational performance.

Energy efficiency: Energy consumption of equipment in the foodservice industry is five to 10 times larger than that of conventional retail. New combined cooking technologies reduce preparation time, deliver higher-quality food products and lower energy costs.

New equipment technology includes smaller footprints needed for compact formats and ductless applications, reducing capital costs.

E-Commerce: Beyond Today's Manual Picking

Logistics automation is a central factor transforming all of tomorrow's retail. Leading the retail automation available today are micro-fulfillment centers (MFCs).

Cube storage of MFCs' automated storage and retrieval systems (ASRS) is dense, allowing grocers to store, pick and deliver a basket of groceries in five minutes and have a footprint that's 25% of a conventional shelving area.

With grocery e-commerce's explosive growth, MFCs are a means for grocers to reduce formats in tomorrow's marketplace and remain competitive.

Remotely supporting food products through commissaries for prepared foods or ghost kitchens are tactics increasingly leveraged to reduce preparation square footage and deliver high-quality foods.

Small formats are uniquely challenging. It helps to begin with the brand and solve for the factors discussed here to drive the process. It takes a collaborative and cross-functional team to successfully implement, and it's paramount to remain relevant in today's rapidly evolving food marketplace.

Final considerations for grocers include what are they doing to compete and stay relevant in the quickly transforming retail industry? Is your brand proposition relevant to the segment that you serve? Key elements addressed are supported by these myriad factors and tactics, as well as a compelling brand strategy. The marketplace is an expanding moving target where success can be determined by the ability to execute a smaller-format store. **PG**

Steven Duffy is SVP of design at Maitland, Fla.-based Cuhaci & Peterson Architects, Engineers and Planners. A trained architect, Duffy is a 30-year retail industry veteran whose career spans nearly every facet of grocery and retail design, including store development programs, prototyping and brand reinvention, from big boxes to boutiques.





How AI Can Help With Assortment Planning

AS FOOD AND CONSUMABLES RETAILERS GROW MORE DIGITAL, THEY'LL MAKE USE OF EVER MORE GRANULAR DATA TO BETTER FORECAST CONSUMER DEMAND.

By Thad Rueter

The use of artificial intelligence (AI) for assortment planning may not be widespread, but its adoption is being accelerated by a pandemic that brought about rapid change in many areas of food retail.

For example, last fall Smart & Final and Bashas' rolled out an AI analytics platform from San Jose, Calif.-based Hypersonix to support enterprise analytics and digital transformation initiatives. The Hypersonix technology is designed to remove data silos and provides a 360-degree view of customer behaviors, localized product assortments and operational processes, to enable improved data-driven decisions.

Among the promises of new AI deployments is helping food retailers get a better handle on product assortment planning — often an area of improvisation throughout the pandemic as consumers changed shopping habits amid supply-chain challenges.



Key Takeaways

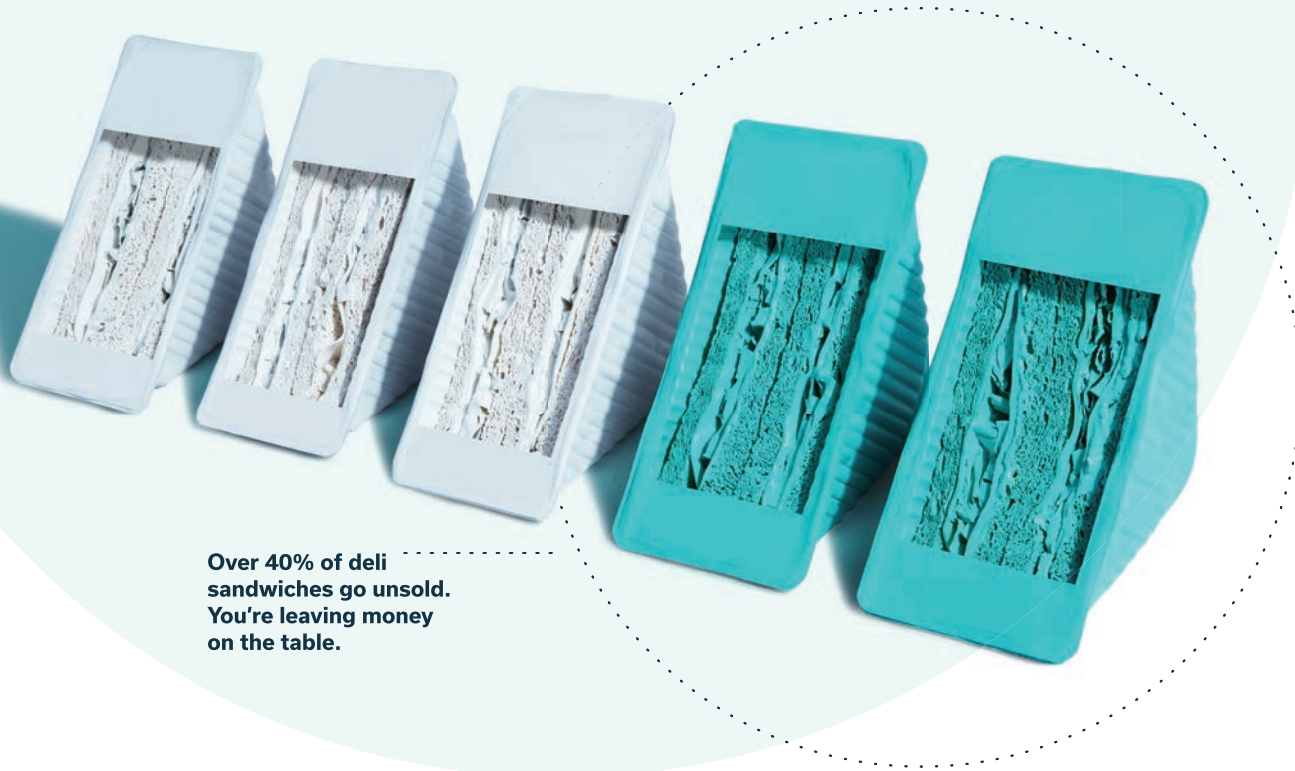
- ▶ **The adoption of artificial intelligence (AI) for assortment planning has been accelerated by the pandemic, which brought about rapid change in many areas of food retail.**
- ▶ **The embrace of AI will happen in multiple steps, and the process faces some significant inertia.**
- ▶ **Flexibility matters when it comes to choosing the right AI system to deploy.**

Even after the effects of the virus fade, retailers of food and consumables will continue to grow more digital, making use of ever more granular data to better forecast consumer demand — and that means a bright future for artificial intelligence.

“AI-driven intuitive analytics will play a key role in increasing conversions and profitability by analyzing consumer behavior in real time

Shrink Your Shrink

Shelf Engine *eliminates* the cost of shrink from spoilage, breakage, and theft.



Over 40% of deli sandwiches go unsold. You're leaving money on the table.

Ordering is really hard. Overstock and you won't lose out on sales, but you'll have a ton of shrink. There is a better way to maximize sales while eliminating spoilage and waste.

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Its powerful AI generates the most accurate orders for your stores. **So accurate, you only pay for inventory that sells and never need to worry about shrink again—guaranteed.**

Shelf Engine is in over 2,000 stores and works with the largest grocers across the US. Setup is fast—you can be onboard in less than 2 weeks. Get started today!



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and drawing data-driven insights that can anticipate demand, drive sales, offer highly personalized promotions, improve consumer experience and avoid waste,” says Rewa Kulkarni, content and marketing manager for San Francisco-based Intelligence Node, a real-time retail price intelligence platform. “Another key role that AI analytics will play is to gather competitive intelligence. By analyzing competitor movements in real time, retailers can make informed decisions across pricing, promotions and inventory to offer the most competitive deals to their customers and improve visibility of their products.”

Headed Toward the Mainstream

Getting to that point will require more deployments of AI at food retail, and more experimentation and experience to figure out what works best. AI is no longer just some science-fiction buzzword, of course, but it's hardly mainstream in the food retail industry — reaching that point won't happen in 2021. That said, the discussions about using AI to make food retail more profitable are hardly out of the ordinary anymore as increasing numbers of grocery operators think about how to get ahead of the competition in the coming months — and take stock of their pandemic experiences.

“Beyond 2021, there will be a significant SKU rationalization as retailers do a postmortem review of assortment planning during the pandemic, which will likely result in a cutting of many existing SKUs and the addition of many new ones,” predicts Brian Ross, president of Toronto-based Precima, A Nielsen Company. “AI can analyze all of the transaction log data from before and during the crisis, combine it with other variables that accurately imitate the changes in consumer behavior due to the pandemic, and create models for future demand that marketers and merchandisers can base their plans on.”

The embrace of AI will happen in multiple steps — there will be no dramatic flipping of the switch, so to speak, that brings the full power of the technology into force.

“In the near term, AI-based pricing keeps retailers current with fast-changing [key value items] that have emerged during the pandemic,” notes Cheryl Sullivan, president of Burlington, Mass.-based DemandTec by Acoustic, which provides AI-based retail pricing tech-

Artificial intelligence technology can help food retailers gain a sharper view into consumer trends, providing up-to-the-minute forecasts that can anticipate product shortages.

“Beyond 2021, there will be a significant SKU rationalization as retailers do a postmortem review of assortment planning during the pandemic, which will likely result in a cutting of many existing SKUs and the addition of many new ones.”

—Brian Ross, Precima

nology. “These insights can assist assortment planners in getting the right items to the right stores to reflect current shopper demand signals, instead of just relying on hindsight with 52-week trailing demand data.”

Sullivan says that such technology can help assortment planners leverage the forecasting found in what she calls “science-based pricing, which accounts for transference of demand, including halo and cannibalization effects, that can result if an item is understocked, creating stockouts, or overstocked and languishing at the shelf.”

Longer term, the use of AI for product assortment forecasting at food retailers can also play a role in helping to design more efficient, smaller or otherwise less costly stores. Artificial intelligence additionally promises to play a bigger role in helping food retailers grow more dominant in e-commerce — a job that includes taking on massive players such as Amazon and Walmart.

“Unlike in a physical store, where prices are more or less static for days and maybe even weeks, with online shopping, prices can change rapidly — Amazon uses its dynamic pricing algorithms to review prices of millions of its SKUs, including for groceries, every two minutes,” observes Intelligence Node’s Kulkarni. “To thrive in this fast-paced e-commerce environment, AI-driven dynamic and competitive pricing solutions will be the only way to really optimize pricing.”

Overcoming Inertia

The use of AI for product assortment planning and related forecasts does face some significant inertia, however.

“Right now, the opportunities for product assortment planning are limitless because AI isn't really even being used,” says Stefan Kalb, co-founder of Seattle-based Shelf Engine, whose technology is designed to reduce retail food waste. “Most buyers still rely on syndicated data, whether from IRI or Nielsen, while large retailers are stuck with national planograms because managing a radically different assortment at the individual store level, or even regional level, is too complicated.”



CPGs GAIN A NEW ADVANTAGE IN E-COMMERCE

Brands see what they've been missing with new view of the digital shelf

Bold claims about technology solutions that are faster, easier and more effective at leveraging data to grow sales are common in the increasingly digital retail world. There's a lot of noise and it adds to the challenge of making an optimal decision to serve a fast-moving market.

Amid the noise and familiar claims of me-too solution providers, one company stands out for an approach that is innovative and unconventional. e.fundamentals has quickly become a market leader by enabling brands to do things with data they didn't know were possible. The company is helping customers achieve e-commerce results and demonstrate category leadership to retail partners, all while setting a new standard of accountability for the technology industry.

RETURN ON INVESTMENT

Discussions on return on investment are mostly unheard of in the retail technology world. However, e.fundamentals said, "let's embrace generating ROI as our mission" It looked at the results its solutions were delivering for brands and decided to take a stand.

"We work with brands to deliver a minimum 4X return on investment. The measure is actively tracked and we agree a specific program of work to generate the returns, importantly we do this in a way that is repeatable for the client establishing effective ways of working," said John Maltman, founder and CEO of e.fundamentals. "The 4X return is a minimum, our average is 8X and we have some customers enjoying a double digit rate of return."

How e.fundamentals generates returns for brands is what makes the company special and explains why it is on the radar of tech analysts, including those at Gartner. Maltman, a former executive at Procter & Gamble, PepsiCo and Walmart's Asda division, understood when he founded e.fundamentals in 2014 that companies have an abundance of data. But it is often in the wrong place, not harmonized or presented in a way that allows users to take actions.

THE RIGHT SOLUTION AT THE RIGHT TIME

Challenges related to data volume and utility surged during the past year amid an unprecedented surge in grocery e-commerce sales. This acceleration meant brands needed to act quickly to capitalize on the type of digital shelf analytics e.fundamentals provides. That's what companies such as Mars, Starbucks,

Edgewell, Molson Coors and McCain Foods did. These market leaders, and dozens of other e.fundamental customers, were able to pivot and make smarter, better informed, accurate decisions faster than ever. In the process, they further positioned themselves as trusted category advisors to the retailers they support.

Looking ahead, digital shelf analytics will only become more important for brands who will require powerful systems capable of pulling performance metrics from all types of retailers. Doing so means brands will have a full and real-time view of a highly dynamic market. It's why e.fundamentals' solutions are designed to monitor and extract value from key information areas such as ratings and reviews, price and promotion, product information and sales and search data.

EASE OF USE IS KEY

Powerful tech solutions aren't much good if they require a data science degree to use. e.fundamentals recognized that the technological sophistication among business users ranging from brand, category and marketing managers can vary widely. It created a user-interface that is highly intuitive, which means anyone capable of operating a modern smartphone can interact with and take action on the vast data sources from which e.fundamentals extracts insights.

In 2021, brands who recognize the importance of digital shelf analytics will gain a competitive advantage. Working with e.fundamentals helps uncover insights and recommend actions before brands knew an opportunity existed.



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But times are changing — thanks in large part to the challenges of the pandemic, but also because of the increasingly digital and mobile nature of grocery consumers.

“The drastic shift in demand across nearly every category, combined with continued consumer uncertainty, will make relying on traditional data for assortment planning increasingly difficult in 2021,” notes Kalb. “While some retailers may choose to stay the course and hope for a return to pre-pandemic norms, others may see this uncertainty as an opportunity to try something new with an alternative approach.”

That alternative approach of using AI depends on retailers taking a risk with new and unfamiliar technology, he adds. That’s not always easy, of course, especially for grocery operations with relatively modest technology budgets. But the long-term payoffs can be significant, especially when one considers the potential scope of AI forecasting systems.

“AI systems allow retailers to more quickly and accurately react to unexpected shifts in product demand,” explains Kalb. “These bits of data can account for things like local weather patterns, sporting events and other external factors that impact the inexplicably varying sales cycles of some stores. AI also incorporates other types of information affecting shopping behaviors, like patterns involving complementary and competitive relationships. So, say your store is out of crackers; there’s going to be a smaller chance that shoppers will buy cheese.”

Importance of Flexibility

Consider this thought experiment: What revenue might a food retailer have gained early in the pandemic if it used AI to forecast a run on hand sanitizer and bought supplies accordingly?

“The challenge is identifying those insights faster, and being flexible enough to execute,” says Matt Schwartz, CEO of San Francisco-based Afresh, whose AI technology focuses on accurately ordering fresh food to increase sales and reduce waste.

The challenge is also knowing what you’re looking for via AI forecast technology — that is, knowing exactly how to use this new tool.

“Right now, the opportunities for product assortment planning are limitless because AI isn’t really even being used.”

—Stefan Kalb, Shelf Engine

“AI is really, really good at optimizing decisions within areas where there is a lot of data,” observes Schwartz. “As a result, with granular sales history, a machine-learning model can learn the effects of assortment, and use that learning to predict an optimized assortment going forward.”

He adds: “‘Optimized’ here usually means profit maximizing, but can also consider maximization of customer lifetime value, revenue maximization and other factors.”

As Schwartz puts it, human decision-making is also important, depending on the retail function, as experienced, insightful workers will sometimes know more than the machine.

“This is especially true in the perimeter, where product attributes are so dynamic — produce availability, taste and cost change so rapidly,” he says. “One example: With weekly produce ads breaking, a retailer found success in leveraging the machine to determine the optimal number of cases of raspberries per store, but allowed for discretion in dummied up the display after a load of short-shelf-life berries were received — this enabled stores

to maximize their sales while minimizing shrink.”

Flexibility also matters when it comes to choosing the right AI system to deploy.

“Given how dynamic the landscape is in 2021, it’s critical for any system to be able to adapt,” advises Schwartz.

“Certain AI technologies are more flexible than others — both in the construction of their algorithms as well as in the way human-centered workflows are built around them.”

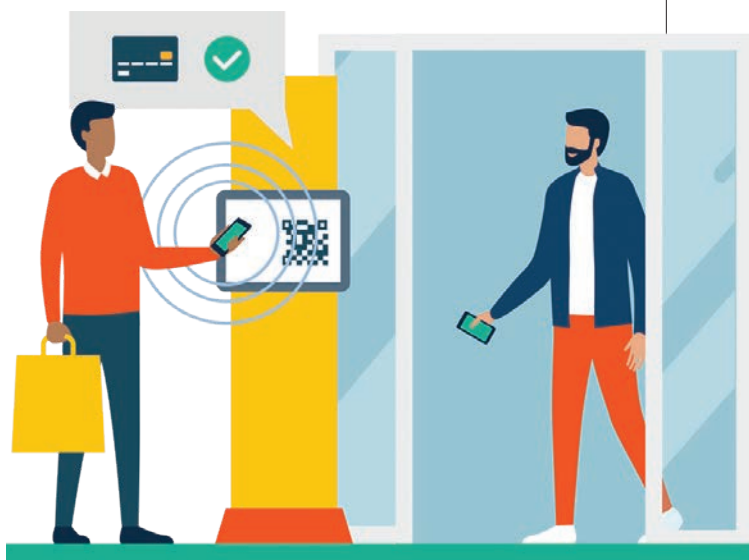
Those are all massive choices for any food retailer, but at least one thing is becoming simpler about AI technology: implementation, which in turn affects cost.

“Any system implementation is not trivial, but with that said, new cloud-based software-as-a-service technologies can be adopted much faster than legacy systems of the past,” says Schwartz. “Whereas on-premise older technologies might have taken years to get off the ground, new AI technologies can be up and running in a couple months.”

AI has a way to go in food retail, but interest is building, even as best practices are scarce. You can bet, however, that AI’s impact will be felt pretty deeply before too long.

“Using AI is like going from a screwdriver to a power drill, a hammer to a nail gun,” notes Schwartz. “AI is a supercharging resource that can take almost any manual process or decision and augment it into a superhuman one.” **PG**

Artificial intelligence, combined with other food retail tech, promises to make grocery shopping an ever more personal and efficient experience in the coming years.



Food, Beverage & Nonfood Products



◀ Into the Mainstream

Plant-based meat brand Before the Butcher has expanded its lineup with a product targeting budget-conscious shoppers, providing a meatless protein option that costs half that of competitive products and closer to the cost of beef burgers. Mainstream Plant-Based Patties can be found in the freezer section, while other meatless burgers are sold in fresh meat cases at considerably higher prices. According to the company, the lower price was achieved through selling the product in family packs, and minor adjustments that reduced ingredient costs. Like Before the Butcher's premium Uncut line, Mainstream patties are 100% plant-based, vegan, gluten-free, and made from a proprietary combination of soy, coconut and canola oils, and natural

seasonings. Each Mainstream patty offers 18 grams of plant-based protein and closely replicates the taste and texture of a beef burger. The product is available in 2-pound resealable 8-packs of quarter-pound patties at a suggested retail price of \$10.99, although the price may vary by retailer. Foodservice operators can also purchase the Mainstream line through distributors at a low wholesale cost. <https://btbfoods.com/retail/>

▶ Light Snack

Superfood breakfast and snack creator Earnest Eats has launched a line of Snacking Avocados, a light and crispy clean-ingredient snack made with slices of real Hass avocado that are freeze-dried and simply seasoned with sea salt and spices. Available in three savory flavors — Sea Salt, Sea Salt Lime and Roasted Chipotle — the nutritious line is vegan, keto, gluten-free, Non-GMO, high in fiber and sugar-free. The product enables anytime enjoyment of avocados, consumption of which has tripled since the early 2000s, according to the USDA, without having to worry about ripeness or spoilage. Snacking Avocados can be added to salads, dipped in salsa or eaten on their own as a satisfying snack packed with healthy monounsaturated fats. Each bag contains one 160- to 170-calorie serving with 15 grams of healthy fats, 2 grams of net carbs, 7 grams of fiber, and zero added sugar or preservatives. A 0.6-ounce bag retails for a suggested \$3.49. <https://www.earnesteats.com/>



◀ Simply Smoothies

A maker of low-sugar, 100% plant-based beverages, Koia has now introduced Koia Fruit Smoothie, which contains only 9 grams of total sugar per bottle — 80% less than leading fruit smoothie brands and in keeping with the recently revealed recommended changes to the U.S. Federal Dietary Guidelines. Koia Fruit Smoothie comes in four nutrient-packed flavors — Magic Mango, Rise & Shine, Straw-nana Dream, and Tropical Passion — all of which feature no added sugar, prebiotic fiber in the form of baobab powder and chicory root to stimulate the growth of healthy bacteria and aid digestion, real fruit, pea protein to support the body's natural renewal and maintenance, and the hydration of one whole coconut, which also provides potassium and healthy plant-based fats. The product line joins the brand's Protein and Keto shakes, Elevated Coffees, and Thrive oatmilk-based beverages, all of which are low in sugar and net carbs; plant-based; dairy, soy- and gluten-free; and Non-GMO Project Verified, with no artificial ingredients. A 12-ounce bottle of Koia Fruit Smoothie retails for a suggested \$3.99. <https://drinkkoia.com/>

▼ Elevate the Deli

Already well known as a gourmet food purveyor whose products are found in four-star restaurants, D'Artagnan has now rolled out an affordable line of quality artisanal deli meats for grocery: naturally marbled Wagyu Roast Beef, made from authentic Japanese stock, and free from antibiotics or hormones; uncured Smoked Berkshire Ham smoked over applewood, and made with the simple ingredients of pork, water, sea salt and raw cane sugar; natural Hickory Smoked Turkey Breast, smoked over real hickory, with no artificial flavors; uncured and unsmoked Berkshire Bistro Ham, which has the skin left on; and unique Truffle Turkey Breast, produced in small batches using real black truffle slices, whole-muscle natural turkey breast, and simple, all-natural flavorings. Available in small case sizes to ensure peak quality and freshness, the deli meats contain no preservatives, antibiotics, hormones, nitrates, nitrites, phosphates, artificial colors or preservatives. Suggested prices per pound range from \$8.99 to \$16.49. Aside from deli meats, D'Artagnan offers charcuterie, Spanish hams, and a full complement of prepared items such as truffle butter and patés for deli. <https://www.dartagnan.com/>



Force for Good

PROCTER & GAMBLE IS HARNESSING INNOVATION TO ACCELERATE SUSTAINABLE CHANGE.

W

hat if the power to create a more sustainable world were in the palm of your hand? Or your shopping cart? Or your shower? At Procter & Gamble, our ambition is to drive responsible consumption at scale through product innovations that make a sustainable lifestyle easy and irresistible. As a company

that reaches 5 billion people around the world, our brands are embracing the responsibility to create products that delight consumers while helping solve some of the world's most pressing challenges, including climate change, water insecurity, waste and resource scarcity.

The next decade represents a critical window to accelerate progress on climate change. That's why this past July, we launched our most ambitious climate commitment to date: to be carbon neutral for the decade. We'll achieve this by purchasing 100% renewable electricity globally, cutting greenhouse-gas emissions across our operations in half, and investing in a portfolio of projects around the world that protect, improve and restore critical natural ecosystems.

Brand Involvement

While we work diligently to minimize our carbon footprint, our brands are helping consumers do the same. Tide discovered that more than 60% of a laundry detergent's footprint is in running the washing machine, mostly related to the energy used to heat the water. The brand redesigned its formula in 2015 to clean just as well in cold water, using 90% less energy per load. Since then, millions of loads washed in lower temperatures have avoided roughly 15 million metric tons of carbon dioxide — the equivalent of taking 3 million cars off the road.

We know that large-scale change starts with the small choices we make in our homes every day. Cascade's Do It Every Night campaign is busting a popular myth and encouraging families to forgo handwashing for the dishwasher, which can save up to 100 gallons of water a week — and the energy needed to heat the water.

Finding the Holy Grail

Another way we enable and inspire responsible consumption is through packaging innovation. We are committed to ensuring packages are collected and recycled, with the material reclaimed for a "second life." In Europe, P&G led a coalition of companies to solve one of the largest obstacles facing recycling: ineffective sorting at material-recovery facilities that impacts the quality of recycled material. Holy Grail is a "smart package" technology that uses digital watermarks embedded in packages to sort recyclables

faster and more accurately. It will be tested in Europe next year.

As part of our commitment to ensuring 100% of our packaging will be recyclable or reusable by 2030, Crest and Oral-B recently announced a transition to high-density polyethylene (HDPE) tubes. HDPE provides the same product protection as current tubes, but enables them to be recycled where collection programs exist. This packaging innovation will help make toothpaste tubes recyclable at scale in existing recycling streams — a significant improvement for a product that hasn't been recyclable to date.

Our commitment to environmental stewardship extends throughout our value chain, which requires partnering closely with our suppliers to ensure that all the raw materials we use are responsibly sourced. For example, 100% of the wood pulp that we source is from responsibly managed forests and certified by third-party experts. For every tree used, at least one is regrown. Bounty, Charmin and Puffs are Forest Stewardship Council (FSC) and Rainforest Alliance certified, which means that each brand meets rigorous standards that promote healthy forests for generations to come. These three brands are also investing in partnerships that protect, restore and grow forests, including a collaboration with the Arbor Day Foundation to plant 300,000 trees to restore forests in California that were devastated by wildfires.


These are just some of the ways our brands are leveraging the power of innovation to be a force for good and a force for growth at scale. But we can't do it alone. Together with our retail partners, consumers, nonprofit partners and employees, we are committed to continually finding new ways to protect and improve the lives of our communities, as well as our common home, our planet. **PG**

Our commitment to environmental stewardship extends throughout our value chain, which requires partnering closely with our suppliers to ensure that all the raw materials we use are responsibly sourced.

Virginie Helias is chief sustainability officer at Cincinnati-based Procter & Gamble.



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