

Don't be Fooled: Profits Result from Being Innovative and Meeting Consumers' Need for Convenience

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Abstract

Consumers are time-starved and are desperate for convenience. In the present international research, the need for supermarkets in the United States and Europe to focus more on the customer through innovative merchandising and retailing tactics is discussed. The authors provide a review of several trends in retailing throughout the United States, in addition to efforts being made in the United Kingdom to become less product-oriented and more customer-oriented. The review concludes with the finding that being innovative is about solving customers' needs. Simply being new does not equate to being innovative.

Key words: merchandising, retailing, food marketing, convenience.

JEL classification: M, M3, M31.

Introduction

The word "innovative" is often misunderstood. Students often describe an example of innovation as a case in which a company has launched a new product into the market. Launching a new product to simply extend the menu of offerings is not necessarily innovation and may be dangerous, considering that most new products fail. In addition, slots are limited and fees to be placed on the shelf can become exorbitant (Stanton and Herbst, 2006). In other words, if you are going to go through the practice of new product development, make sure that it is not only new but also better. If a new product better solves a customer's need, it is innovative.

The food industry has been often transformed by changes in the family. The food industry and the family were great partners after the Second World War. Wives were primarily "homemakers" that cooked from scratch using the new supermarkets that had replaced the smaller corner stores and specialty stores such as green grocers, butchers, and bakers. Social changes, best identified with women joining the workforce in greater numbers, sent mothers and wives off to work eight-hour days leaving less time for traditional chores of meal preparation.

As the time famine has intensified, consumers have relied more on eating away from the home and quick, if any, trips to the supermarket. Many supermarkets are still organized around a paradigm of the traditional household that is becoming a less significant portion of society. The shift from home cooked meals has been a steady movement over the past 20 years. The old supermarket paradigm was based on keeping consumers in the store and getting them to "shop the entire store" by placing common purchased items such as milk and eggs in the back of the store. Long lines at check-out have been tolerated by store management because the waiting period often has resulted in impulse purchases around the checkout lines.

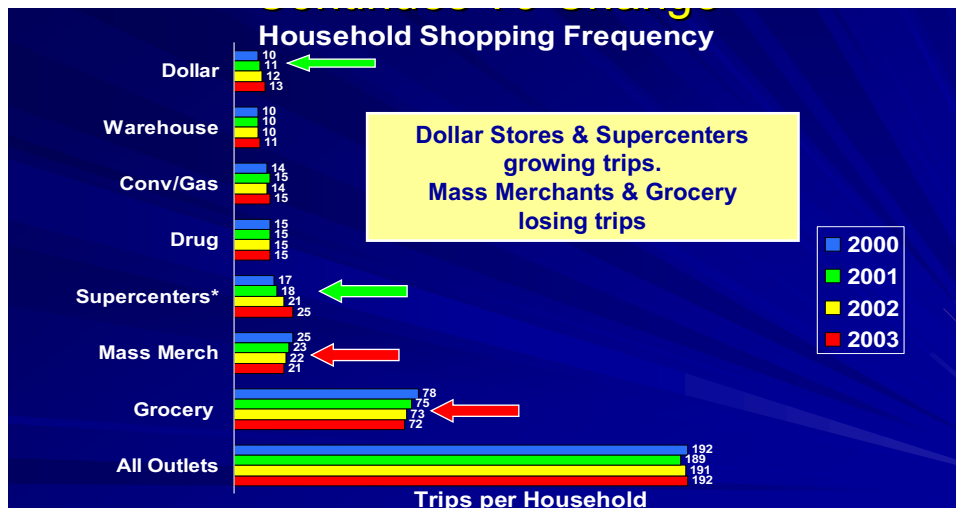
Two ramifications have resulted from this behavior. Both the number of convenience stores and more convenient channels of distribution increased, and they expanded the number of products offered. Convenience stores that once focused on tobacco, newspapers, and coffee now sold more grocery food (e.g., milk and eggs). At the same time, others were simplifying the shopping effort by becoming one-stop shopping that combined food and other hard goods into superstore formats. This is epitomized by the Wal-Mart SuperStore. (Table 1 and Figure 1 depict the changes in frequency in which people shop in more convenient food formats as well as the growth of the Superstore concept).

Table 1

Sales and Growth of Convenient Solutions

| | \$ Sales (Millions) | % Growth |
|-------------------------------|---------------------|----------|
| Precut Fresh Salad Mix | 2,083 | 12 |
| Refrigerated Entrees | 1,061 | 21 |
| Breakfast Bars | 414 | 28 |
| Polishing/Cleaning Cloths | 248 | 8 |
| Frozen Biscuits/Rolls/Muffins | 213 | 43 |
| Shelf-Stable Entrees | 211 | 50 |
| Pre-Moistened Cleaning Towels | 151 | 48 |
| Refrigerated Meal Starters | 18 | 304 |

Source: ACNielsen (2002).



Source: ACNielsen (2003)

Fig. 1. The Landscape of Household Shopping

So, how can today’s giant supermarket win?

Retailers also need to be focused on innovation (i.e., customer-orientation) and how to best answer the demands of a time-starved public. If companies answer the call to only bring innovative new products to market, the ball is in the court of the retailer to merchandise in a way that is innovative. Specifically, it is vital for retailers to plan meals for the hurried customer as opposed to making him run from aisle to aisle to select individual ingredients to make a quick meal.

It should be noted that currently most retailers are very product/category-oriented. There is minimal combining of products for meal solutions and on-the-go consumers. This is partially due to competition and storage issues between categories. The meat department may often be reluctant to give away four feet of horizontal space to the produce area (e.g., for mushrooms) as this move would cut away from the meat department’s profits. So, though mushrooms close to the steak may significantly increase the profit for the store, the individual departments within the store may not be able to look past their own desires for the good of the store as a whole.

Most food stores are set up by individual products and not the way in which they are cooked, eaten, or used. Outside of the food channel, the furniture channel merchandises by use as

opposed to individual products standing alone in isolation. At "Rooms to Go," furniture comprising a room is merchandised together. Customers walk in and see their rooms set before them. This solves their need better than looking at a bed before looking at an ottoman and then a chair all in different locations. Customers tend to be visual and if they are able to see how woods blend and furniture looks together, they are more apt to purchase.

If these practices can be completed successfully in the furniture market, then there is hope for the food market. In food marketing, it is vital that shopping becomes faster and easier for customers who may only visit a furniture store once every five years but visit a supermarket about once per week.

This paper describes the results of a preliminary review of the best innovative practices being performed in retailers throughout the United States and the United Kingdom. Specifically, the authors visited several chains throughout the United States and the United Kingdom to provide examples of innovative marketing at its finest.

The United States Perspective

The focus of merchandising should be on how consumers use products and less defined by the individual product or the "convenience" of putting them on shelves. In multiple supermarkets in the United States, Kraft has tested a kiosk called "Meal Solutions" in which they have various meals merchandised together that are ready to be placed in the basket and cooked quickly upon returning home. Publix Supermarkets has used a similar system and names the section of the store *Aprons*. While neither organization will provide specific measures of success, Publix has rolled out the section into all of their stores after a test in a limited number of stores. The need to travel throughout the store to select individual ingredients is avoided by merchandising innovativeness. This also worked well for products that were once treated like commodities (ingredients comprising a salad) that are now placed in a bag with a brand and are purchased as bagged salads. Branding several loose products and selling them as a meal have been profitable (Stanton and Herbst, 2005) not only for the farmer of the specific vegetable but also for the retailer who is selling more vegetables this way. The time and labor involved in slicing vegetables are valued by the customer.

Coburn's Supermarkets in St. Cloud, Minnesota (USA), has innovation running throughout the store. The products are not always new, but the way in which they are merchandised answers the time-starved consumer's needs. Coburn's is one of the leaders in merchandising meals as opposed to ingredients. In one of their stores, you could find the following: peanut butter and jelly in the bread aisle, bread bowls by the bagged salads, baked potatoes in hanging baskets by the steak (this allows the potatoes to be merchandised with steak while occupying no space in the meat department), chocolate syrup in front of the milk, mayonnaise near cold cuts, bananas merchandised down a rope from the ceiling in the cereal aisle, and marshmallows with cocoa. All of this cross-merchandising and snack/meal planning leads to incremental profits as the same amount of these individual products is not sold when they are merchandised in isolation.

A ShopRite store in New Jersey (USA) uses a wide variety of merchandising innovation to make shopping more convenient for consumers. For example, in a refrigerated case, it merchandises butter, sour cream, bacon bits, chives and all the other condiments for a baked potato next to the Russet potatoes in the produce section. While no retailer will report the specific sales impact of these innovations, this specific ShopRite employee has told the authors that he must refill the case twice a day and even more on weekends. He also said it is his opinion that these represent incremental sales, as those who routinely buy these condiments continually buy them in the traditional store locations.

Retailers, through merchandising, and manufacturers, through promotions, can help the consumer's mind click by providing meal ideas in an easy-to-purchase and easy-to-prepare fashion. While hard evidence is scarce, every available report indicates that the retailer has higher profits and the consumer has a more convenient experience through this innovation.

The United Kingdom (UK) Perspective

Within the UK, five multiple retailers dominate and account for almost 75% of the retail market (Food Strategy Group, 2004). Within these retail outlets, merchandising tends to be quite product and store-oriented and is based on optimizing the following:

- sales and profitability, through top selling products never going out of stock;
- brand marketing through clear recognition of brand and product;
- the supply and handling of stock, where storage packs can be easily transferred and are ready for retail display; and
- customer ease of shopping.

In relation to product range, the multiple retailers in particular, have increasingly tried to rationalize product ranges in an attempt to simplify choice and remove unnecessary duplication. This rationalization often occurs amongst branded products, leaving opportunities for the continued growth of own label product ranges (Davies and Brito, 2004).

Across all retail sectors in the UK, a degree of cross-merchandising is evident. This is usually through promotions within categories, where products eaten and stored together are often merchandised side-by-side. For example, chilled garlic bread would be promoted beside various chilled ready meals. Cross-merchandising across categories is less evident and typically would include an ambient product being located in an off fixture display beside a chilled cabinet. For example, dried rice and naan bread being located beside chilled ethnic ready meals.

Within the chilled category in particular, some innovative merchandising has been evident within own-label product ranges. Marks and Spencer launched a range of bistro style meals under their "Café Culture" range. This range was accompanied with a menu card to help consumers select a recommended three-course meal, with an appropriate starter, main course, dessert and even a suitable wine choice. The range was designed to help consumers produce an authentic bistro-type menu for friends and family at home, and the strap line was "eating in is the new eating out". All products were chilled and merchandised together, except the wine choices.

Currently, Tesco merchandises their "Finest" own-label chilled products together and again the aim is to encourage consumers to select a complete meal from the range. During the initial promotion period of the Finest range, Tesco produced press releases on how consumers could combine products for a complete meal or use part of the range with fresh ingredients to aid convenience. However, details of such combinations were never published in stores and the chilled desserts and recommended wines continue to be located in their generic categories.

As this demand for creative convenience, freshness, and culinary sophistication continues within the UK marketplace (Sloan, 2001), small food processing operations, and increasingly celebrity chefs, are seizing the opportunities with the development of meal solutions. These are usually in the form of an easy to carry bag or box which contain freshly prepared ingredients and recipes for the consumer to quickly assemble/cook a three-course meal. These types of solutions are usually sold in well-populated areas, such as train and tube stations, and can capitalize on consumers rushing home and not knowing what they are going to eat (George and Stanton, 2001). One such company, "Rocket" advertises their products as "Fresh ingredient meal kits that you take home and cook in just 10 minutes from platform 7 waterloo."

Despite the fact that merchandising within UK food retail contains some innovative techniques, the competitiveness between categories for space, the need to ensure the correct storage of products, and a general fear of congestion in stores associated with off fixture displays, are limiting customer-oriented merchandising. Some retailers are attempting to overcome this through the placement of associated chilled produce. However, until the need for a holistic view of merchandising and an awareness of the need for convenience, in meal planning and preparation amongst consumers, are acknowledged, the potential for customer-oriented merchandising is limited.

Discussion

Grocers need to sell meals rather than items. To accomplish this goal, grocers need to cross-merchandise! The need to cross-merchandise is apparent in an increasing number of retail outlets. In cross-merchandising, retailers take two related products (for example, onions and steak)

which typically are not sold together and merchandise them in the same location. For example, the onions are typically sold in the produce area, and the steak is sold in the meat area. If the onions were sold right beside the steak, then the sales of onions would skyrocket. It is easy for people to forget how scrumptious onions can be when served with steak. So, when a consumer thinks to purchase steak, and sees the onions right before her (potentially watering) eyes, she is more apt to purchase the onions as well. The onions, in their usual location, would not have been purchased to serve with the steak because the consumer would be fifteen minutes removed from the thought of onions and would not be thinking about how the two could be served together.

Point of purchase retail tactics is an area that needs to be addressed at length. The point of this piece is to demonstrate one increasingly important need in the area of point-of-purchase. When the consumer comes to the store, she has an idea of which items she will buy for the week. It is the retailer's job to make it hard to miss the meal opportunities. Wouldn't it be great to merchandise cheese, sour cream, green onions and chili beans with the ground beef? The consumer, thinking about ground beef for burgers, now thinks about chili and in doing so purchases five items as opposed to one.

In sum, creativity and imagination on the part of the grocer would help build the bottom line. Value is not just about low prices (Feig, 2002); it is about making a delivery at the right time and the right place for the right customer. Instead of selling each product one by one, put two and two together, and watch as individual items become meals in the grocery basket and profits for the grocer.

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