The Battle for the Grocery Consumer: The Challenge of Product Placement for CPG Manufacturers

by Fred Brown

The food retail business is evolving rapidly. Recent announcements of food retailers providing delivery services have visionaries predicting grocery-bearing drones filling the skies and deserted retail chain stores with outdated and expired products crumbling on the shelves.

These predictions may come true, at least partially. But there is still a battle waging inside the store to keep the current consumer interested. So before we declare the traditional retail grocery chain dead, let’s look at how these chains and their suppliers are reinventing themselves to remain relevant to the consumer and profitable for themselves and their investors.

Owning the Edge

Ask yourself where you spend most of your time in your favorite grocery store. If you are like most consumers, you spend most of your time on the perimeter of the store – not the inner aisles. Why? Because grocers have typically stocked their least processed seasonal foods along the wall, and consumers are now shopping for more types of healthy foods. And don’t think food manufacturers haven’t noticed that the most congested consumer zones in a store (besides the checkout line) are the outer perimeters. If that’s where the consumer traffic is, then that’s where manufacturers want their products to be positioned. So more than ever before, the retailers and manufacturers collaborate on how to blend their consumer strategic products within the high traffic areas of their stores – the perimeter, the eye level position of aisles, and near the front entry doors, through which every consumer shall pass. These preferred stocking locations are continually contested for by the manufacturers. But in the end, product placement is decided by and controlled by the retailer.

The Battle for Placement

How are the winners of the battle of product placement in high traffic shopping zones determined? While there’s no magic formula for determining the winners, revenue and profit correlated to consumer demand drive the decision. Placing consumer preferred products in these favored areas makes the consumer happy, but if the products don’t yield high revenues and profits for the retailer, they fail the test. High revenue and profitable products that don’t satisfy consumer shopping preferences certainly will sit unwanted – and also fail to satisfy the quest for higher financial gains.

To compensate for demand and margin shortfalls, food manufacturers offer retailers creative pricing, rebates, seasonal specials, and other revenue enhancing inducements to entice the retailer to maintain or improve their product placement. But at the end of the day, the brands that win the battle are those that do both – they are consumer shopping preferences and they provide the retailer (and the manufacturer) with strong revenues and profits.

So, when you shop at your favorite retailer this week, notice where you spend most of your time, take notice of the winners and losers, and think about the ongoing battles of the brands to share that space with you.

More Reading

In my next article, I’ll nominate which brands/categories are most likely to win these battles. You may be surprised by who is winning more often than not and you will see that the battle field is not all that level or fair. A third article in this series will discuss how innovation can help these contenders in their mission for prime product placement.

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About the Author

Fred Brown
fred.brown@kalypso.com

Fred brings over 25 years of industry experience to Kalypso's clients in his Partner role. He supports the firm's Product Lifecycle Management Technology practice serving clients in the Consumer Packaged Goods and Medical Device industries.