Future Considerations

Supermarkets of the Future

Euromonitor highlighted key take-aways from the Expo Milano 2015, one of which was the “supermarket of the future,”¹ which is focused on creating leaner businesses with fewer products. One cautionary item is that there may be a reduction in the number of products on a shelf, as retailers will not be able to stack their products on top of each other. If a product is sold out, it will be replenished with extra merchandise that is stored in a nearby area. Euromonitor is predicting that a likely outcome will be a decline in the number of brands located on a shelf. It is reported that the grocery chain Tesco has already made a move towards this approach by announcing it will reduce the number of SKUs in its stores by 30%. The reason behind this is an attempt to cut costs and minimize lost sales.

Some global analysts predict that stores will strive for horizontal shelf alignments meaning that current planograms could be eliminated. This means instead of having vertical shelf space, everything will be at eye level,² making it easier for consumers to make decisions about their purchases instead of being influenced by the location of the product on the shelf. In other words, this attempt will level the playing field for competing products but it may squeeze out smaller brands. Euromonitor is predicting that the existing slotting fee structure will likely evolve and could become more expensive if space is reduced (due to not being able to stack merchandise). In many stores, digital screens will be placed above the shelf to include pertinent product information such as the price, nutritional information, mini commercials about the item, and possibly the ecological footprint.

Small or niche brands who cannot afford to rent space in the supermarket will look for opportunities to sell exclusively online.³ One of the natural/organic food companies the report highlights is Hain Celestial. In 2014, it had more than US$2 billion in revenue and promotes itself as being among Amazon’s Top 10 vendors in the U.S. As Amazon looks to expedite its delivery service to the same day an order is placed, this may open new options for your company. Amazon has reported that Chicago will be one of its test markets for same-day delivery and they recently acquired space for a warehouse.

³ Euromonitor, Health & Wellness: Certified Organics, January, 2012
Many consumers switch between organic and convention produce. A study in the U.S. revealed that 56% of shoppers purchase organic produce, yet only 8% do regularly. Convenience and distribution were the two main factors in shoppers’ decision to purchase organic produce. Consumers preferred to buy from large supermarkets rather than taking the time to shop at smaller, specialized shops. If the desired organic merchandise was available at the supermarket, their purchases would be reflective of that.

Based on this information, your company should look beyond shelf space at the supermarket and identify opportunities throughout various avenues to sell your products through. The future of supermarkets may be where a brand has some visibility for consumers to make a purchase, but further sales may be facilitated online through other venues.

Declining Birth Rates

Industry researchers predict that the global birth rate will continue to decline through 2018. Only a few small Western European countries, including Norway, Sweden, and Denmark, have a positive outlook for birth rate growth. The other developed countries that have significant markets do no project increased birth rates. It is estimated that over 80 percent of the world’s population lives in the developing world. Many of these countries are experiencing a growing middle class and female participation in the labor force. Because of these facts, families in developing countries are likely to desire prepared food.

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4 Euromonitor, Health & Wellness: Certified Organics, January, 2012
5 Nielsen, Goo-Goo-Ga-Ga: On the Go Convenience Drives Bab Food and Formula Growth, August, 2015

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An interesting fact is that as birth rates decline, affluence rises. In the appendix, we have included an analysis by Euromonitor that highlights the opportunities and threats in the global markets.

Source: Euromonitor