



BEER DISPLAYS DRIVE STORE TRIPS, PROFITS

A RELIABLE STRATEGY IN THE BATTLE TO STEM IN-STORE SALES EROSION

Maximizing in-store customer spending is critical for retailers in today's environment, where competitive pressures from online sellers and other nontraditional outlets have been increasing.

Traditional supermarket retailers need to double down on their operational discipline to generate more sales from the shoppers who are already in their stores and to keep them coming back. According to ABI Category Leadership, St. Louis, MO; InfoScout Calendar Year 2017; IRI Multi-Outlet Total Store 2018, ecommerce spending on food and beverage has risen 10%, and sales at hard discounters and dollar stores are growing at five times the rate of sales in the conventional grocery channel.

Grocers saw their sales growth slow to 0.5% in 2017, compared with 2016, and the number of annual trips made by shoppers fell by 2.5%, according to ABI Category Leadership, St. Louis, MO; InfoScout Calendar Year 2017; IRI Multi-Outlet Total Store 2018.

In many categories, gross margin and true operating margin can vary by 20 percentage points or more, so considering in store expenses is key. As the top category in the total U.S. food channel with \$10.6 billion in annual revenues, plus a top-10 ranking in weekly true profit (accounting for the benefits of DSD) and turns, beer plays a key role in generating incremental in-store sales and profitability,

according to ABI Category Leadership, St. Louis, MO; IRI Total US Food FY 2018; Willard Bishop Grocery Super Study 2018.

In addition, 41% of households shop the beer category, making an average of 14 trips per year and spending an average of \$14.26 per trip on beer alone—with the total basket of beer, halo items and other items totaling about \$67 per trip, according to IRI Panel Data, 2017.

In order to maximize the sales and profit potential of this category, food retailers should prioritize beer displays and consider how to best deploy them. These displays are key to driving both impulse buys and to converting planned purchases.

Whether customers are making a U-shaped trip through the store or shopping on a “racetrack” circuit, the back of the store should be the focus for building beer displays that benefit from the highest levels of foot traffic and visibility. Beyond traditional lobby and racetrack displays that are already very effective, endcap optimization research shows that endcaps at the back of the store have an average of 88% foot traffic, compared with 64% for front-of-store endcaps, and the visual reach of back endcaps, at 54%, is more than double the 24% for front endcaps, according to ABI Category Leadership, St. Louis, MO; Article: *Endcap Insights-Visual Reach-Ehrenberg Bass*.

In the back of the store, these endcaps serve like billboards, capturing sales from shoppers who may not have planned to purchase beer on that trip.

When retailers feature beer in their ads, in-store displays take on even more importance. According to ABI Category Leadership, St. Louis, MO; IRI 2017 FY Total US Food, displays drive a 15% increase lift in items that are featured in ads, and beer items in both ads and display generate 2.5 times more incremental dollars than wine and nine times more incremental dollars than spirits.

Additionally, beer ranks as a highly productive grocery category for inventory management and space optimization. It is 4th in the % of SKUs generations 95% of Category Sales (47.9%), 6th in Adjusted Gross Profit per Linear Ft of Space (\$10.54) and 7th in Adjusted True Profit per Linear Ft of Space (\$5.54), according to ABI Leadership, St. Louis, MO; Willard Bishop Grocery Super Study 2018.

Overall, the beer display strategy should balance financial, operational, shopper and in-store considerations. The research demonstrates that beer displays should be a high priority for operators, week in and week out. They can be a powerful—and profitable—tool in stemming sales erosion.



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