



KANTAR CONSULTING

LOOSE PRODUCT MERCHANDISING INITIATIVES

KANTAR CONSULTING RESEARCH TEAM

LOOSE PRODUCT MERCHANDISING INITIATIVES

1. OVERVIEW

Loose produce has always had its place in the offer of most retailers. Usually a preferred merchandising choice for fresh fruit and vegetables, it is becoming increasingly prominent across more categories. Its re-emergence has been prompted by a series of driving factors including regulatory, shopper and competitive. This dynamic is poised to continue disrupting norms, from established categories and their place in the store, and all the way through the supply chain.



Key drivers and manifestations

Loose produce is becoming increasingly visible in the offer of retailers and even making an entry into the online space. Prompted by increasingly constrictive waste and packaging regulations, an increased shopper appetite for authenticity and anti-consumerism, plus major price and offer overhaul programmes undertaken by most retailers, this merchandising technique is claiming back its former glory.

Loose products are making their way to more and more categories:

1. With unprecedented speed. In France some 30% of food categories now have a loose offer component. Consequently, this trend is leading to more space being allocated to loose products.
2. Both instore and online. Spearheaded by specialised stores which feature over 90% of their limited offer as loose, the merchandising technique is increasingly being featured in traditional stores, either through dedicated zones or side-by-side with products across various categories. Generally, it is perceived as an affordable alternative shopper option.
3. In packaged goods, loose products enable retailers to better control operational costs and better manage margins.



Summary of Key Learnings

Brand Initiatives

- Several brands have ventured into operating their own stores which feature loose product selling, giving shoppers a more authentic and engaging experience of their assortment.
- Some brands are using this merchandising technique with chain retailers, especially around events like the holiday season, when selling products in loose adds a sense of abundance around the experience.

Retailer Initiatives

- Multiple loose product specialised chains have emerged, especially in major cities, to meet the increasing concerns of many shoppers around food wastage, unnecessary packaging and sustainability.
- Loose products have found a place among the offer of most channels,

with hypermarkets hosting some of the largest assortments. At the other extreme, excluding specialised stores, convenience stores now often accommodate a limited offering of some kind, usually centred around premium (organic) products or salad bars.

2. DRIVERS

Regulatory Constraints

Governments across the globe are responding to environmental concerns by passing legislation encouraging the limitation of waste. Among these, packaging regulations - especially for plastic - are being set in place to help prevent the problem escalating.

At the same time, food waste prevention regulations see new measures being undertaken around expiration date labelling and loosening of certain restrictions in terms of packaging.

Shopper Expectations

Shoppers are increasingly buying into the concept beyond how it satisfies their environmental concerns. Loose produce plays into shoppers' inherent need to experiment, to pick and mix and to tap into the increased diversity this category offers around product choice.

The merchandising technique is also reinforcing their perceptions of controlling cost either by buying as much as they need or by trading up to a better-quality product.

Competitive Pressure

Retailers buy into the concept for a series of reasons ranging from financial (higher margin, lower cost), operational (less labour intensive), but mainly brand motivated (differentiation).

Selling loose produce reinforces both their affordability messaging as well as their authenticity credentials. Loose produce, being associated primarily with fresh produce, spills this benefit to other categories in which it is adopted, thus conveying even higher quality credentials.

3. TRENDS & KEY LEARNINGS

Key Trends: Introduction

Offer Diversification

Selling loose (bulk) is used by retailers to provide an additional element of authenticity and flexibility to a category. Mainly associated with fresh categories (fruit, dairy) the selling concept has found its place across an increasing number of food categories (wine, oil etc.) but also is seen in non-food (beauty, home care).

Selling loose products can, in certain situations, give shoppers a chance to try-before-they-buy, thus contributing to improving conversion rates as well as shopper satisfaction.

Space Proliferation

As store formats become more experiential and shoppers more demanding in having their expectations fulfilled, loose produce provides an opportunity for retailers to improve their shopper engagement.

From dedicated stores through dedicated zones in standard stores to free-standing display units, these products are gaining greater prominence.

In developed markets, loose products are making their way online while in emerging markets they are often the preferred go-to-market option.

Margin Management

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in supplying certain products in bulk themselves.

- Loose products are available in a wide array of categories which leads to shoppers being more open to purchase them as an alternative.

LIQUID PRODUCTS ARE INCREASINGLY BEING OFFERED IN LOOSE FORM

Overview:

- Selling liquid products as loose is becoming an increasingly popular method and one that is gaining share. Ranging from wine to oil and vinegar, through beer and other beverages, loose liquids are appearing in stores as an cheaper and/or more sustainable alternative to bottles, or as a way of introducing shoppers to more premium products.

AMBIENT, FRESH, FROZEN AND LOCAL PRODUCE ARE THE MOST POPULAR LOOSE CATEGORIES

Overview:

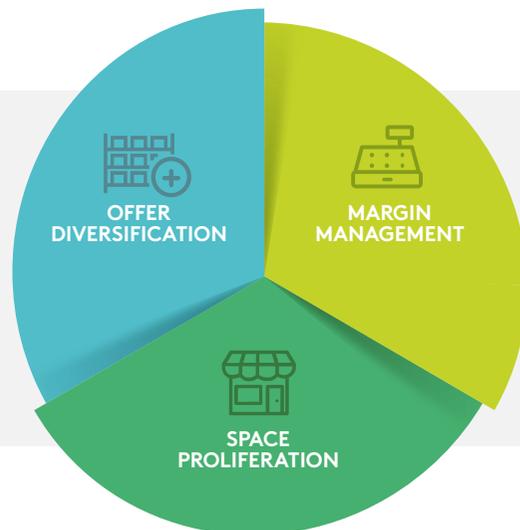
- Selling loose products is more suited to fresh produce, dry foods or frozen. Especially in emerging markets, many retailers use this method extensively to appeal to budget-constrained shoppers that expect to find open-air market merchandising inside chain retail stores. This technique is also possible due to less-stringent hygiene regulations.

Key Learnings:

- Loose products can occupy considerable space within the selling area of most retailers operating in emerging markets. This can constitute an opportunity for branded suppliers to merchandise their products as cross-category, either by their adjacency or



TRENDS & KEY LEARNINGS



Key Learnings:

- Selling liquids loose allows retailers to service a variety of shopper missions and satisfy differing needs. In BWS, for example, the wine dispenser option might appeal to on-the-go picnickers or partygoers, while the oil and vinegar stations as seen at Biocoop or at Real Markthalle are very much intended to encourage sampling of new, premium products with the hope of shoppers up-buying to novel new flavours.
- Maintaining equipment is major retailer challenge here, not only in ensuring product availability and freshness, but also around checking that hygiene standards are upheld.

NON-FOOD CATEGORIES ARE NO STRANGERS TO THIS MERCHANDISING TECHNIQUE

Overview:

- Non-food categories are rapidly being adapted to this concept. Mainly

centred around laundry detergents, loose merchandising has been quick to find a role in the category.

Key Learnings:

- Selling detergents loose enables retailers to either help shoppers cut down on cost or upgrade them to better quality (and higher margin) products.
- As some detergent manufacturers also produce low environmental impact (biodegradable) produce, selling them loose doubles their impact on shoppers that are more mindful of environmental issues.
- Suppliers are recommended to collaborate closely with respective retailers to ensure relevant products are compatible with the dispensing machinery being used in stores. Making the containers supplied as recyclable as possible within cost constraints can add an extra layer of sustainability to the product itself.



SPECIALIST RETAILERS DOMINATE THE RESPONSIBLE CONSUMPTION SPACE

Overview:

- As shoppers in developed markets become more conscious about consumerism and its consequences, niche retailers are responding and looking to provide solutions by developing and expanding loose product specialised formats and merchandising methods.

Key Learnings:

- Germany and France are prominent Western European markets for loose products. In France alone, the category is estimated to account for EUR500 million in sales in 2017, a year-on-year growth rate of 100%.
- Specialised loose product retailers frame their offer within an austere selling environment, in line with the "reductionist" concept.
- Loose produce specialists operate in

small formats and feature a relatively narrow range (100 SKUs) spread across categories.

- Online insurgents like Le Drive Tout Nu, a zero-waste eGrocery startup, are using social media to amplify their messaging among receptive audiences.

SOME BRANDS ARE ENTHUSIASTIC ADOPTERS OF THE TECHNIQUE

Overview:

- As brands develop their own selling capabilities (brand stores, physical and online), some opt for merchandising their products as loose.

Key Learnings:

- Operating own stores (physical and online) gives manufacturers the opportunity to interact more closely with shoppers and further control the brand message.



- This technique leverages an increased authenticity and craftsmanship message that enables the brand to further consolidate its key attributes with shoppers.
- The challenge lies in maintaining a consistent brand image when executing the same products (loose or packaged) with retail partners.

CHAIN RETAILERS HAVE WIDELY ADOPTED THE TECHNIQUE ACROSS CHANNELS

Overview:

- Auchan is one of the early adopters and a heavy promoter of the concept. The retailer started featuring extensive loose products aisles to help complement its “discount hypermarket” proposition.

Key Learnings:

- Auchan originally associated the concept with its “self-discount” dedicated selling area, alongside other low-priced products.
- The concept has gradually spread across its markets and categories,

from spices to sweets, to fresh produce and pet food.

- The merchandising technique has also steadily made its way to Auchan’s smaller formats, which feature between a few SKUs to several dozen.
- As the concept’s popularity spreads, suppliers will need to devise strategies to service merchandising requirements not only in big-box stores, but also in formats like convenience and proximity, which adds additional complexities to the distribution model.

LOOSE FOOD HELPS STORES BECOME THE SHOPPER’S PERSONAL REFRIGERATOR

Overview:

- As many stores now offer in-store dining, processed (chopped, portioned) loose products have become a key way for retailers to offer shoppers compelling meal alternatives for immediate consumption either on the premises or elsewhere.

Key Learnings:

- Loose products sold as pick-and-mix

or create-your-own meal solution are now increasingly being used by retailers to provide shoppers with more affordable and flexible meal options.

- As on-the-go food assumes a bigger role among retailers located in urban environments, these products help retailers improve their fresh credentials and appeal more to shoppers.
- They are especially impactful in create-your-own salad bar settings where they prove to be strong traffic drivers among time-poor workers requiring healthier grab-and-go lunch options. Items featured here tend as a rule not to be branded, but opportunities exist for good-for-you brands to be a part of the mix.

PLUG-IN SOLUTIONS HELP ACCELERATE EXPANSION OF THE SELLING CONCEPT

Overview:

- Not all retailers opt to develop loose product selling capabilities themselves. This space is filled by third party providers like JusteBio, which specialises in free-standing dispensing

hopper units for retailers, or even wholesalers like Metro AG, which offers its small-box franchise partners in Europe comprehensive plug-in solutions which includes the all-important supply chain component.

Key Learnings:

- Selling loose products now becomes a desirable undertaking for small store owners, but this may add additional operational complexity for the shopkeeper in ensuring these dispensers are refilled regularly and maintain operational functionality, which may be a strain on limited staff resources.
- There are also some restrictions on the types of products that are suitable for being sold this way, meaning the trader needs to be confident of local demand before committing to this form of merchandising.

LOOSE PRODUCTS ARE GENERALLY PERCEIVED AS MORE AFFORDABLE ALTERNATIVES TO PACKAGED

Overview:

- In France, loose produce is typically



priced between 10% and 60% lower than its packaged counterparts. This enables shoppers to either save by selecting the loose products in a quantity that fits their shopping need and/or budget, or conversely up-trade to more premium products that fit within their packaged goods budget.

Key Learnings:

- Depending on category, packaging costs can often trump the effective cost of the merchandise.
- This enables retailers to convert shoppers to more premium, and expensive alternatives.
- As certain products are made available in loose, the dynamics of the categories they belong to are likely to shift. Brands will have to take this into consideration when attempting to influence their retail partner's category management strategies.

LOOSE PRODUCTS PLAY IN A WIDE PRICE SPECTRUM

Overview:

- Loose products cover a wide spectrum of price points. Starting from being showcased as more affordable alternatives (Auchan) they can go all the way up to premium pricing in higher-end retailers, where more exclusive brands can offer their products loose and leverage their authenticity and exclusivity by presenting their offer in novel ways that make shopping more experiential.

Key Learnings:

- Loose products can have both a low and a high value perception which is reinforced by the messaging that accompanies them. Both are, in their own way, reinforcing the retailer's efforts to make shopping their assortment more convenient and appealing, be that by:

- Enabling shoppers to impose their own price control (by buying only quantities they need/can afford), or
- By allowing product tailoring (choosing only their favourite elements of a product usually sold as a broader selection, like boxed confectionery).

LOOSE PRODUCTS HAVE A HIGH SENSE OF LOYALTY ATTACHED TO THEM

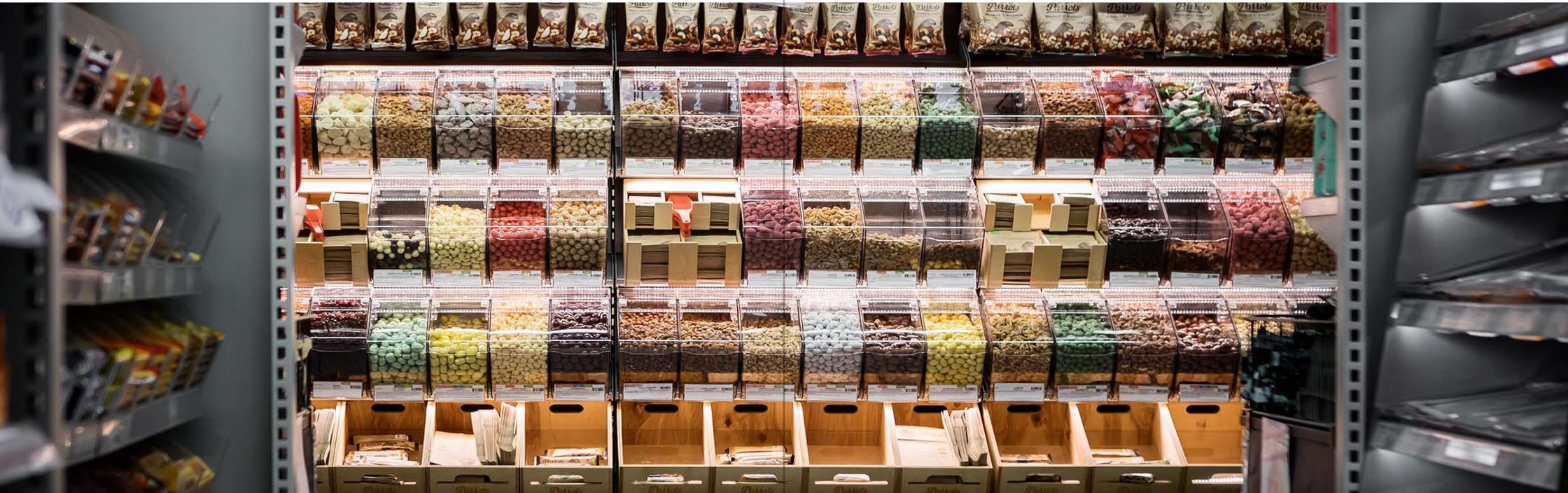
Overview:

- Being available in a relatively limited supply, loose products come with a high level of loyalty attached. Shoppers who opt for these products are more likely to return to the same store for repeat purchase.

Key Learnings:

- Identifying the shopping patterns for loose produce can reveal opportunities like cross-merchandising and up-trading.

- It can also identify trending sub-categories from among a wider category assortment. Products that are being frequently selected by shoppers may be worthy of receiving greater focus instore, either as regards space allocated or primacy of placement.
- Loose products help reinforce established connections between the shopper, the retailer and the product which can be further leveraged in providing shoppers with more inspiration for other purchases.





4. KEY CHALLENGES

Limited Brand Impact

- Loose products generally entail a diminished brand visibility, especially if executed outside a brand's own stores.
- Labelling, expiration date and product details are also a challenging area to mitigate.
- Product safety is a key risk that limits the opportunity to tap into this field for many perishable products.

Operational Impediments

- Loose products are often more premium alternatives (organic, bio) sourced from short supply chains. This entails a higher risk of out of stocks. Reverse logistics is also challenged if expired excess stock is to be reused as animal feed or soil fertiliser.
- Although examples exist, executing loose products in the online environment has limitations around packaging and labelling.

Price

- Loose products enable retailers to better control their margin. Restocking a loose products category is relatively easier even than shelf-ready packaging which helps retailers keep operating costs low.
- Higher costs are mainly a consequence of short-supply chain products that come in at higher price points.

5. SUPPLIER IMPLICATIONS

- Suppliers must consider the increased popularity of loose products as they will increasingly take up more space in stores. Brands have an opportunity to enter or even lead loose product sale for specific categories.
- Shoppers are increasingly looking for products and brands that have a clear focus on improving their environmental impact. Adopting a loose selling alternative can help brands improve this perception.
- For suppliers that are less prone to sell their products loose, the opportunity lies in identifying the cross-category and adjacency spaces in the continuously morphing zoning of stores.
- Merchandising in loose can be played across the price spectrum and is not necessarily a technique that implies austerity. If executed right, loose merchandising can boost the brand's craftsmanship and authenticity credentials.

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