Navigating the Evolving Landscape of the Center Store: Insights and Recommendations

Welcome

In a dynamic consumer landscape marked by changing dietary preferences, home cooking trends, and a heightened focus on healthier choices, the Center Store of the Consumer Packaged Goods (CPG) industry has taken on a new level of significance. This report dissects key insights and offers strategic recommendations for businesses operating within the Condiments, Sauces, Cereals, Frozen Meals, and Baking Mixes segments. With premiumization, dietary consciousness, and innovation taking center stage, the CPG industry must adapt to thrive in this evolving environment.

The Center Store:
A Premium Frontier

A noteworthy shift towards premiumization within the Center Store is apparent. Categories like condiments and sauces have experienced significant growth in unique and bold flavors such as truffle, jalapeno, and sweet and sour. Premiumization extends beyond flavors and is reflected in pricing dynamics. While some growth is attributed to price increases, it's noteworthy that specialty products like truffle sauces are driving unit sales more than price hikes, indicating a willingness to invest in higher-end offerings.

Sauces Flavors

Flavor Minimum of 10 Distinct UPCs	YoY Growth	
	$	Unit
Truffle	+66%	+77%
Jalapeño	+41%	+29%
Sweet & Sour	+33%	+17%
Carolina BBQ	+24%	+10%
Buffalo	+19%	+5%
Chipotle	+13%	+1%

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Source: 52 weeks ending 6.18.23 SPINS SNE, MULO, powered by Circana.

Dietary Preferences Drive Innovation

The Center Store is becoming a haven for consumers adhering to diverse dietary preferences. The condiments and sauces segments reveal a correlation between certain diets and purchasing patterns. Observations indicate that consumers following diets such as Paleo, plant-based, or allergen-friendly are willing to invest more in these products, leading to growth in dollar sales but not necessarily unit sales. CPG brands should capitalize on this trend by offering clear labeling and formulations that cater to these specific dietary needs, while recognizing the price sensitivity of these consumer segments.

RF Condiments

Diet	$	Unit
Paleo	**+9.4%**	**+2.0%**
Plant-Based	**+6.5%**	**-2.5%**
Major 9 Allergen Free	**+6.3%**	**-2.9%**

SS Condiments, Dressings, & Marinades

Diet	$	Unit
FODMAP	**+15.6%**	**-1.9%**
Vegetarian	**+11.4%**	**-4.9%**
Whole 30 Friendly	**+12.4%**	**-3.2%**

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Source: SPINS Natural Enhanced Channel & Conventional Multi-Outlet (powered by Circana); 52 Weeks Ending 6.18.23

Sweeteners and Ingredients: A New Paradigm

Traditionally overlooked, the role of sweeteners and ingredients within sauces and marinades is gaining prominence. Observations highlight a move away from artificial sweeteners and sugar alcohols. Consumers are gravitating towards more natural, low-calorie sweeteners like Allulose and monk fruit. This indicates an increasing demand for clean label products and healthier ingredient profiles. Brands can seize this opportunity by reformulating products to align with these preferences and by clearly communicating ingredient choices to consumers.

+12.4%

RF & SS Condiments, Dressings, & Marinades
Dol % Change L52 Weeks

Sugar Alcohols	
-8%	Sugar Alcohols
-56%	Erythritol
Natural Low/No Cal Sweeteners	
+11%	Natural Low Cal Swt.
+17%	Allulose
+9%	Stevia
+16%	Monk Fruit
Artificial & Controversial Sweeteners	
+7%	Artificial Sweeteners
-83%	Aspartame
+9%	High Fructose Corn Syrup
+7%	Sucralose

Source: 52 weeks ending 6.18.23 SPINS SNE, MULO, powered by Circana. Filtered by SPINS Product Intelligence

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Cereal's Transformation: From Cheat Meal to Premium Offering

The cereal category stands out as an illustrative case of premiumization. Traditionally considered a "cheat meal," cereals are undergoing a transformation driven by price increases. This shift has enabled premium products to find a foothold, as consumers are willing to pay slightly more for enhanced quality. Protein-rich variants and the incorporation of alternative grains like ancient grains, barley, and rice indicate a growing emphasis on both nutrition and personalized dietary preferences.

10 TO <15G PROTEIN

+24%

$ % Change vs Year Ago

15 TO <20G PROTEIN

+5%

$ % Change vs Year Ago

20 TO <25G PROTEIN

+126%

$ % Change vs Year Ago

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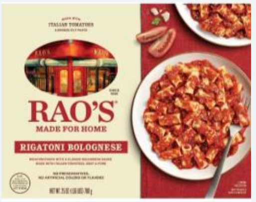
Source: SPINS Natural Channel and MULO, 52 Weeks Ending 6.18.23

Innovation in Frozen Meals and Global Flavors

Frozen meals are evolving from single-serve convenience to multi-serve family options. This aligns with changing lifestyles, where consumers seek convenience without compromising on quality or variety. Global flavors, particularly Indian and Korean, are gaining traction, reflecting consumers' desire for adventurous culinary experiences even in frozen offerings. Additionally, the incorporation of hidden vegetables in products addresses the challenge of balancing nutrition and convenience, especially for families.

MULTI-SERVE MEALS



CONTINUED GLOBAL FLAVORS

HIDDEN VEGGIES

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Recommendations

1. **LEVERAGE PREMIUMIZATION**

   Recognize the shift towards premium products across categories. Develop and market premium variants that justify a slightly higher price point through enhanced quality and unique features.

Recommendations

2. **EMBRACE DIETARY DIVERSITY**

   Tailor products to cater to various dietary preferences such as Paleo, plant-based, allergen-friendly, and more. Clearly label products to attract consumers seeking specific dietary attributes.

Recommendations

3. CLEAN LABEL FORMULATIONS

Reformulate products to exclude artificial sweeteners and sugar alcohols. Prioritize natural, low-calorie sweeteners and ingredients that align with consumer demand for clean labels and healthier options.

Recommendations

4. CEREALS: A CANVAS FOR INNOVATION

Utilize the cereal category as an innovation canvas. Introduce protein-rich options and incorporate alternative grains to cater to nutrition-conscious consumers.

Recommendations

5. FROZEN MEALS FOR FAMILIES

Develop multi-serve frozen meal options that appeal to families seeking convenience without compromising on quality. Experiment with global flavors to enhance culinary experiences.

Recommendations

6. HIDDEN VEGETABLES AND NUTRITION

Explore incorporating hidden vegetables into various products to address nutritional gaps while maintaining convenience, particularly targeting families and health-conscious consumers.

Conclusion

The Center Store of the CPG industry is experiencing a transformation driven by changing consumer preferences, premiumization, and innovative formulations. Brands that understand and adapt to these trends are poised for success in this evolving landscape. By catering to dietary diversity, embracing clean label formulations, and seizing opportunities for premium offerings and innovation, businesses can not only thrive but also establish themselves as thought leaders and trendsetters within the industry.

Thank you!

For more information, contact growth@spins.com