contribution today: "More than three-quarters of the GM and HBC SKUs in a typical supermarket sell less than one unit, per store, per week."

In Packaged Facts' 2005 edition of this report, we stated:

> Despite the proliferation of supercenters across the landscape, there is also a vigorous countertrend toward smaller stores. Some consumers are reacting negatively to shopping in supercenters with crowded aisles and long checkout lines, and are turning to smaller stores where they can get in, buy what they're looking for, and get out. In response, retailers are opening small, easier-to-shop stores to attract time-pressed consumers. The smaller stores are also a way to move into small-town downtowns and densely populated urban communities where retail space is at a premium.

We also asked "Is downsizing the future of supermarkets?" Consumers view grocery stores as a channel where quality foods can be found, but the typical supermarket is geared toward shoppers who buy many items rather than those who wish to grab a quick bite to eat. Parking lots and aisles are crowded, item locations are spread out, and check-out lines are long. Downsizing could be problematic since supermarkets spent the first half of the past decade building bigger and bigger stores. Because they cannot instantly revert to smaller footprint units, according to *Stores* (November 2007), "the most immediate challenge for supermarket retailers who have jumped on the big-box bandwagon will be to re-think ways to make their stores 'shop smaller.'" Some are trying to do this through design, by creating smaller "neighborhood" style shops around the perimeter of the store to evoke a smaller store feel. Others have broken up the floor space by introducing in-store cafés and restaurants.

It's no coincidence that the industry is paying close attention to new neighborhood-style stores in operation or being planned by the likes of Tesco, Walmart, Safeway and others. Some retailers are testing more than one concept at a time to reach specific customer bases and gain insight into what shoppers want.

Fresh & Easy Inspired Seismic Market Shifts

The most obvious inspiration for the trend toward smaller format stores, of course, was Tesco's splashy entry into the U.S. market in late 2007 with Fresh & Easy Neighborhood Market, a chain of small-footprint (10,000 to 15,000 square foot) grocery stores designed for

(September 20, 2010) reported that Ahold and Dover signed a multiyear deal "which sources value in the low six figures."

Other Alternative Channels Target Impulse Sales

Traditional, value and convenience formats also face competition from other alternative outlets for which food and beverages are not a primary—or even secondary—business. These range from home improvement and electronics superstores, to bookstores, sporting goods stores, florists and even car washes, all of which use foods and beverages to generate easy incremental impulse sales. Typically, they lure consumers with cherry-picked, strategically placed food and beverage assortments. Many offer front-of-store or end-aisle displays of cases or coolers of soft drinks, racks of candy and snacks, and freezer cases filled with ice cream. Off-price apparel retailer Ross Stores, Inc. ("dress for less") offers several aisles of gourmet foods, from condiments to chocolates. Staples, Inc. is distributing Starbucks whole bean and ground coffees in its office supply stores. Some corporate foodservice operations even provide prepared foods to-go: customers order dinners to take home at lunchtime, and pick them up before they leave the workplace in the evening.

- In December 2010, home goods chain Bed, Bath & Beyond began testing a Cost Plus 2,000-square-foot specialty foods section in a handful of stores in key markets such as New York and New Jersey. The test could lead to a bigger partnership between the two retail chains.

While none of these channels is going to replace America's supermarket anytime soon, all of them siphon potential sales from grocery channels while offering marketers opportunities for additional sales venues.