



Reshaping Grocery Economics: The Power of Advanced Space Planning

Optimizing Space and Assortment for Competitive Advantage: An Overview

Grocery shopping has undergone a profound transformation over the past five years. While online sales were steadily rising pre-COVID, the pandemic accelerated digital adoption and reshaped where - and how - customers shop. Today, in a post-pandemic, highly inflationary environment, shoppers are more selective than ever, scrutinizing how and where they spend.

As the pace of change has continued to increase, categories have experienced dramatically different outcomes in performance and the traditional static approach to in-store space allocation is no longer sufficient. Grocers have an urgent mandate to accelerate their format innovation: rethink category roles, reimagine store layouts, and optimize space allocation by department and category.

There is no universal formula - but leaders will ground decisions in deep customer insights, leverage robust analytics to spot emerging patterns and in-store opportunities, and build agile merchandising organizations capable of rapidly adjusting in-store execution to stay ahead.





Shifting dynamics in grocery are producing vastly different category outcomes

New shopper behaviors and competitive pressures are creating clear category winners and losers across the store:

- **Health and wellness taking center stage:** Shoppers are prioritizing fresh, local, and functional foods - from produce and prepared meals to nutrient-dense snacks
- **Value-driven shopping endures:** Inflation & economic uncertainty continue to push consumers toward private label, bulk buying, and discount channels
- **Home goods shift online:** Non-food categories like home products & electronics are losing share to eCommerce giants & discounters who offer broader assortments & sharper prices
- **More trips, smaller baskets:** Customers are visiting stores more frequently but purchasing fewer items per trip, especially in fresh perimeter categories like produce, meat, and dairy

The cumulative effect of these and other behavior shifts are profound - and visible in the numbers. Even after adjusting for inflation, our analysis shows over the last 5 years:

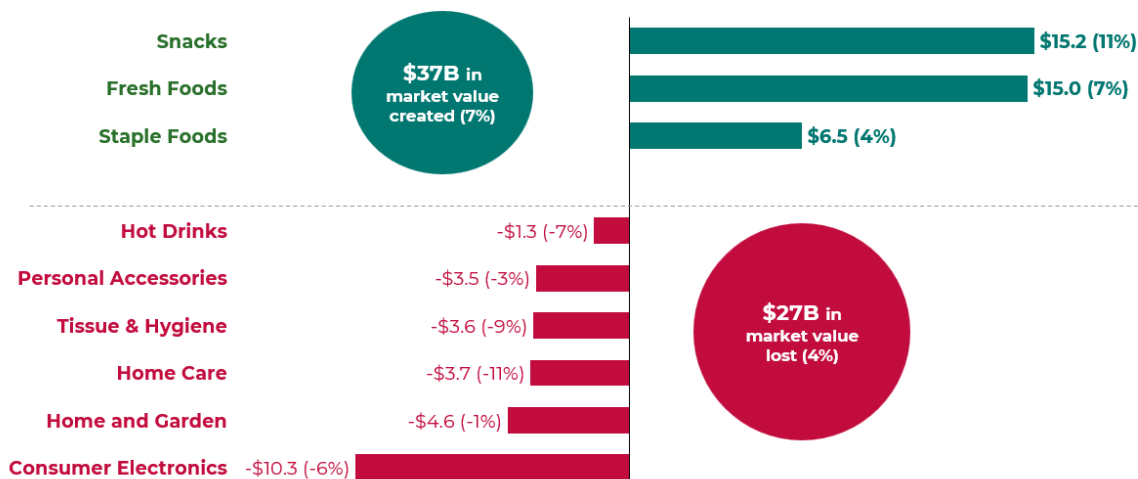
Food and Fresh have emerged as dominant growth engines, expanding by \$37 billion. Staples, snacks, and fresh foods are fueling this surge, aided by trip frequency and health and wellness focus

General Merchandise in grocery has contracted by \$27 billion as customers have shifted to other channels.

The chart below illustrates category winners & losers clearly - underscoring why those who haven't made changes to their space allocations recently are leaving money on the table:

Fresh Foods and General Merchandise Growth Trends since 2019

Inflation Adjusted Change in Market Size by Category: North America, Grocery Retailers





Retailers need to seize this opportunity to rebuild assortment and reallocate space

Staying Ahead of the Curve

Outperforming the competition and staying abreast of these rapidly changing customer dynamics can be a daunting task and short-term bursts of investment often fail to deliver expected financial returns. In our experience, market leaders drive innovation across their value proposition with a structured, consumer-led process that combines multiple innovation pillars and refresh durations:

Core Element	Value Drivers	Refresh
 Strategy & Value Proposition	<ul style="list-style-type: none"> • Reframe target customers, trips and competitors being targeted • Establishing category roles to match target customer 	3 – 5 Yrs.
 Store Layout & Concept	<ul style="list-style-type: none"> • Identify key experiences and customer flow • Define key adjacencies & prioritize category placement 	
 Macro Space & Productivity	<ul style="list-style-type: none"> • Reallocate footprint to under-spaced, high-productivity categories • Remove low-productivity, over-spaced categories 	2 – 3 Yrs.
 Assortment & Planograms	<ul style="list-style-type: none"> • Optimize product mix to optimize sales & margin contribution • Ensure right products in right stores (clustering/localization) 	Annual
 COGS & Vendor Management	<ul style="list-style-type: none"> • Rebuild partnerships with key vendors and extract maximum value (Client spend, costing, joint marketing & distribution agreements) 	Quarterly / Ongoing

The Often Missed Opportunity: Unlocking Value in Macro Space Allocation

However, too frequently, these **innovation efforts fail to take decisive action in reallocating space and rebuilding assortment** in categories that have faded in customer relevance and lag in financial performance. Such indecisiveness robs the retailer of the ability to seize growth trends and differentiate against competitors:

Siloed Decisions: Category leads self-optimize and miss view of total business performance

Lost in Data Complexity: Planogram complexity & store localization inhibit clear analytics

Mistake Noise for Enduring Trends: Over-index on micro-adjustments to meet today's "it"

Implementation Complexity: Avoid macro changes due to perceived difficulty to implement

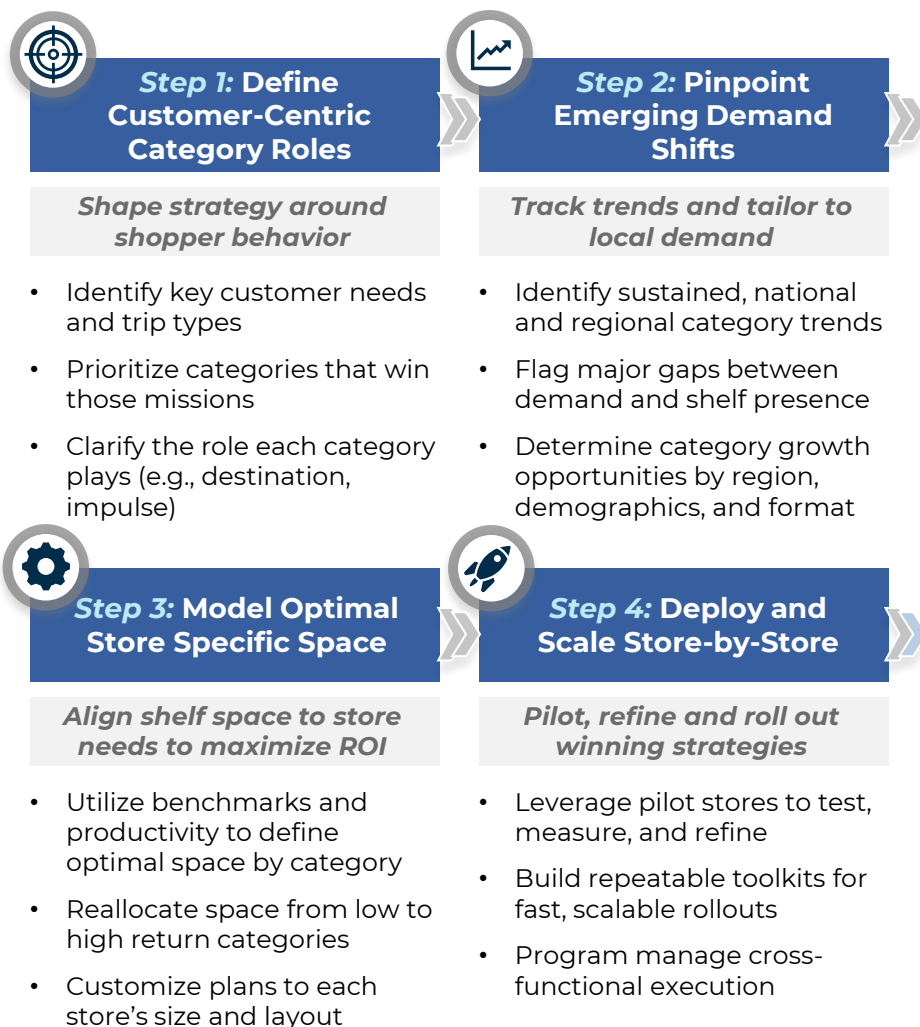


A New Approach to Macro Space Optimization

From Paper to Shelf: Bridging the Gap to Execution

Based on the missed opportunities and common challenges encountered by grocers and leveraging our team's extensive experience in supporting real-world Space Allocation initiatives, CRG has developed a step-by-step methodology that merchandising organizations can adopt to effectively overcome these obstacles.

A&M's Proven Space Optimization Framework



Keys to Getting it Right

- ✓ **Empower a centralized team** to own trade-offs and end-to-end performance
- ✓ **Anchor decisions in real customer behaviors** - not legacy category norms
- ✓ **Run frequent, small pilots** to validate strategy, then scale what works
- ✓ **Treat space as a strategic growth lever**, not just a tactical reset – securing focus, funding, and speed from cross-fx partners



**Turning strategy into action takes more than a playbook:
It takes a partner with the tools, expertise, and track record to make it happen.**

CRG has unique expertise to partner with retailers who want to evolve their macro space & assortment capabilities

In today's competitive grocery landscape, optimizing space and assortment is essential for driving sales, enhancing customer experience, and improving overall store productivity. Grocers that fail to strategically reallocate space and refine their assortments risk inefficiencies, underperforming categories, and lost market share.

The A&M CRG team has deep expertise in helping grocery retailers design and execute effective space and assortment strategies. Our team has led large-scale transformations, implementing best-in-class processes for space planning, category management, and in-store execution. With CRG's hands-on approach and industry-tested methodology, we help retailers optimize their store footprint, refine their assortment mix, and execute changes with precision.

Our tailored strategies drive measurable impact, ensuring grocers remain competitive and well-positioned for long-term success.

Lead Authors



Marco Valentini, Managing Director

marco.valentini@alvarezandmarsal.com



Chris Creyts, Senior Director

ccreyts@alvarezandmarsal.com



Brandon Pezely, Senior Director

bpezely@alvarezandmarsal.com