



Merchandising Natural Products in Today's Economy

by Jeff Weidauer

The declining economy brought with it a dismal outlook on the fate of the growing natural and organic food channel. Dire predictions that the growth of recent years would be lost along with 401(k) balances—and that shoppers would focus only on lower prices—turned out to be mostly ill-founded.

Indeed, consumer interest in healthful foods has proven to be a bright spot; continuing to grow and showing no signs of waning, regardless of the economic state. The lesson here is shoppers don't hold price to be the lone criterion for a purchase decision. This is true for both the aging Boomers, who are paying more attention to their health, as well as the young millennial who is interested in a more genuine experience.

As the economy spiraled downward, so, too, did prices at many stores, in an attempt to keep shoppers in the store as they looked for greater value for their dollar. But concerns about health remained at the forefront; while many shoppers cut back on "luxury" items, healthy foods were less likely to be included in that category than in previous years. In fact, while shoppers are more careful, they are less willing to compromise for the money they do spend.

The secret to successfully maintaining a robust healthy food business in the midst of economic strife is to maintain a focus on the shopper—what does she really want and what constitutes value? While it's true that price is of greater importance than before, it's hardly the magic bullet for driving long-term sales growth and shopper loyalty.

Retailers make the conversation about price when times get tough for one reason—it's easy and they know how to do it. But it's rarely the right answer, and recent revenue and profit results from retailers who made this their sole sales strategy prove the short-sightedness of this move.

The challenge with natural products is to walk that fine line of value—not the lowest price—but a price that is acceptable for the quality and benefits from the product. There will always be shoppers who want low price at any cost, and there are retailers willing to give them that, with little or nothing else.

Natural food is about more than eating to live. It's about making the most of our meals and feeling good about the choices we make for ourselves and our families. That's an added value for the shopper, and she's not only willing to pay a little more for it, she has an expectation that the "good for you" product will cost a little more than the cheap alternative. Providing that product at a fair price, as opposed to eliminating it because it's never going to be the cheapest option, will garner more loyalty, particularly in a world where SKU reduction is running rampant and categories are being slashed to two or three products.

Cutting prices across the board, eliminating all but the top-selling products, and then bringing in the inevitable cuts in labor and service that accompany such changes is a race to the bottom. Once there, it's nearly impossible to rise above the wreckage; it's even harder when the 800-lb. gorilla lowers prices even more after you've cut to the bone.

The bottom line in merchandising natural products at a time where money is tight and shoppers are more frugal than ever is to stick to the original strategy of providing healthful products for those shoppers who really want them. They'll not only stick with you through the lean times, but as things improve, you'll reap the benefits of increased loyalty from that shopper.

Jeff Weidauer is vice president of marketing for Vestcom International Inc., Little Rock, AR, a provider of technological retail solutions.
