

How Grocery Store Agreements Impact Public Health

Ever wonder why chips and soda, instead of fruit or seltzer water, are the most prevalent items in the grocery store?

- Food and beverage manufacturers pay retailers trade promotion fees to influence stores' layout, product mix, and displays. The result is that unhealthy products are prominent, prevalent, and priced to move.
- Retailers allow the dominant manufacturer for a category, the category captain, to decide where and how products will appear on store shelves.
- To promote healthy rather than unhealthy food and beverages, manufacturers and retailers should improve their in-store marketing policies and practices.

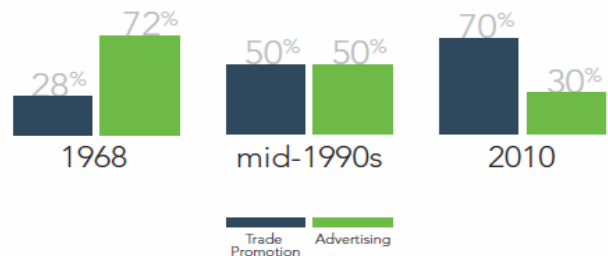


Manufacturers pay to display their products around the store perimeter to increase product sales.

Trade promotion fees that the largest food and beverage manufacturers pay influence how stores are designed and, consequently, what people purchase.

- Food manufacturers spend \$50 billion each year on trade promotion fees to ensure their products occupy the most visible stores spaces.¹
- Trade promotion fees are so effective at driving impulse purchases that manufacturers now spend twice as much on in-store product promotion than on traditional advertising.
- Trade promotion fees include slotting, display, and pay-to-stay fees. With these fees also come agreements concerning signage and price promotions.

MARKETING BUDGETS OF FOOD MANUFACTURERS



American Antitrust Institute, 2013

Manufacturers now spend more on in-store trade promotion fees than on out-of-store advertising.

Slotting Fees

- Food and beverage manufacturers pay retailers slotting fees to sell new products in their stores.
- Manufacturers can pay as much as \$100,000 to introduce a single item in a major supermarket chain and more than \$1.5 million to introduce that item nationwide.² These steep fees can stifle innovation as well as healthier product introduction.²
- Manufacturers admit they have “refrained from introducing new products because of the cost of slotting allowances.”³

Display Fees

- Manufacturers pay display fees for premium store locations like the “endcaps” of aisle shelves and cardboard “shippers” near store entrances.
- Store locations that are highly visible increase the likelihood of impulse purchases.

Pay-to-Stay Fees

- Pay-to-stay fees are payments food manufacturers make to remain on store shelves.
- Manufacturers may offer free or discounted merchandise as a form of pay-to-stay fees.

Trade promotion fees benefit the largest manufacturers, not newer, smaller food companies or farmers.

- Supermarkets collect more than \$50 billion a year in trade fees from food and beverage manufacturers.¹ Such steep fees can act as a barrier for small and newer food companies trying to introduce better-for-you products.
- Corporations with big marketing budgets that can pay these fees end up influencing which products are available, where products are displayed, and how they are promoted.
- Farmers who cannot afford trade promotion fees typically cannot place products on endcaps or at checkout. These fees are one reason healthier foods like fruits and vegetables rarely appear outside of the produce section or in the most trafficked store areas.



Manufacturers pay to introduce and keep packaged foods like chips on store shelves.

Category captains from food and beverage companies influence the products, prices, and promotions on store shelves.

- Category captains are the dominant food or beverage manufacturer within a given section of the store. For example, Unilever, which owns Good Humor, Breyer's, and Ben & Jerry's, is often the category captain for ice cream.
- Category captains help stores develop planograms that determine where and how products will appear in a section of the store.

Manufacturers, retailers, municipalities, researchers, and customers should work to ensure supermarkets promote healthy, rather than unhealthy, food and beverages.

- Retailers and manufacturers should adopt policies and practices that promote healthy, not unhealthy, foods and beverages. For example, retailers should commit to stocking only healthy food and beverages at checkout, a space designed to prompt impulse purchases.
- Cities and counties can adopt healthy retail policies to ensure that prime store space promotes, not undermines, customers' health.
- Researchers can evaluate store layout, placement, promotions, and pricing to identify interventions that support healthy choices and maintain profits.
- Customers can let their grocers know that they want stores to place healthy options in the most prominent store spaces. Customers can also partner with local groups working to increase healthy options and support policies that ensure supermarkets stock healthier food and beverages.

For more information, see our report at <https://cspinet.org/rigged>. To discuss healthy retail opportunities, contact the Center for Science in the Public Interest at policy@cspinet.org.

¹ The Goldman Sachs Group Inc. *U.S. Consumer Packaged Goods and Retail: Trade Budgets at a Tipping Point*. New York, New York: The Goldman Sachs Group Inc.; November 3, 2015.

² Thayer, W. Vendors push back on slotting. *Frozen & Refrigerated Buyer*. 2015;5,20-25. <https://frbuyer.com/wp-content/uploads/2015/05/2015-05-FRBuyer-May2015.pdf>.

³ U.S. Federal Trade Commission. *Report on the Federal Trade Commission Workshop on Slotting Allowances and Other Marketing Practices in the Grocery Industry*. Washington, DC: Federal Trade Commission; 2001. https://www.ftc.gov/sites/default/files/documents/reports/report-federal-trade-commission-workshop-slotting-allowances-and-other-marketing-practices-grocery/slottingallowancesreportfinal_0.pdf.