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Grocery is all about change

So what are grocers to do?

The bad news for the grocery industry is that it has become a cauldron of consolidation. The past few years have seen major grocery chains buying smaller competitors to forestall the Walmart takeover of the industry.

Kroger's buys Harris Teeter and Roundy's. Albertson's buys Safeway and Haggen. ACME Markets, a subsidiary of Albertson's, buys a bankrupt A&P. On and on.

The consolidations hints at several trends for the grocery industry, even if the largest players (such as Kroger and Albertson's) are seeing this as way to fight the retail behemoths of Walmart, Target, Costco and others.

By increasing distribution, those chains are hoping to out-large those big boxes so they can overtake market leadership.

For the smaller and regional groceries, the consolidation spells doom. Soon, they will either be put out of business or forced to accept an offer from the large chains.

For all those groceries, this is not a good trend. Walmart isn't going anywhere. It is already the market leader and some reports say more than half of its earnings come from grocery.

It has even been able to win with its private label brand, Great Value, leading the way. If anything, Walmart will increase its emphasis on grocery.

Trends affecting the industry

Before we answer that question, let's take a step back. There are two trends flowing through the industry that are diametrically opposed to each other, if you think about it. On one hand, groceries have often captured market share through sales, low prices and couponing. The weekly newspaper circular still exists today even though newspapers themselves are not as relevant as they once were. (That's why apps are becoming the couponing system of choice today.)

The problem is that, now that Walmart has entered the fray, that tactic is not as effective. Walmart's brand, encapsulated in its theme of "Save Money. Live Better," is so embedded in the minds of consumers that consumers who shop on price shop

there.

Walmart beat grocers at the price game because low prices were never part of their brands. They were only marketing messages while Walmart means low prices.

In our corner of the world in North Carolina, a once-thriving Food Lion was doomed the instant the nearby Walmart added a grocery. It closed months later and has sat empty ever since.

Then there are the shifting eating trends. Consumers want healthier options, which have led most groceries to increase their organic offerings.

Whole Foods is the organic food leader, but it will never be the market leader be-

"Copying Walmart's ownership of low prices is simply a loser's game."

cause organic foods are expensive. It remains only part of the equation.

So how do you approach the changing food environment (with its higher prices) with a large segment of shoppers buying based on price?

Scouting yourself

Grocery shoppers have preferences but a majority of them will buy groceries from more than one place. You can buy the basics at Walmart (where price supersedes quality), a prime choice of meat at Fresh Market and have the occasional trip to Harris Teeter or Kroger on the way home.

What grocers have struggled with is

finding their positions in the market. Kroger has used a theme of "Fresh Food, Low Prices." How is that different than Walmart?

When consumers are faced with all things being equal, they will choose the market leader. (Therefore, Kroger's theme only works if there's not a Walmart nearby.)

Couple the Walmart copycatting with other unemotional messages, and preference ends up depending on location. Hence, the number of mergers and acquisitions.

Messaging

The messages have become throw-aways

Even more, those messages are just used as just that. Messages. They are not firmly affixed to the brand the way Walmart has affixed its theme to the brand.

When that happens, even if the message is differentiating (and most are not), they are not believed because they just sound like marketing.

Albertson's has used "You're in for something fresh," which sounds like it was written by an ad agency and does nothing to distinguish the chain from the competition.

To compete with Walmart, those chains and others must be truly different and better. Copying Walmart's ownership of low prices is simply a loser's game. Trying to build your brand (or advertising campaign) on fresh food just defines you as a grocery store.

Instead, grocery chains must define who their customers are when they use your brand.

That's how preference is created. If your brand is a true reflection of the target audience, then consumers will be incapable of choosing anyone else because it would be going against their own emotional natures.

Apple users Think Different. Nike users Just Do It. What do your customers do?

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B E Y O N D T H E O R Y

“If they are choosing solely on price. We find out WHY they value it so highly..”

“It might surprise you to know that the strongest motivator in B2B rebranding is always an emotional IDEA.”
