

Shoppers Picking the Winners as Retail Landscape Changes

By Tim Linden

Focus on Retail



Raul Gallegos of Melissa's with FFFC Chair Connie Stukenberg of the California Avocado Commission

It is the shoppers who will pick the winners during this particularly chaotic time for the nation's food retailers. With many options before them, consumers have a plethora of choices before them – including Amazon's attempt to completely change the landscape.

Like most wars, the key is in preparation, said Steven Muro, president of Fusion Marketing. Quoting an ancient Chinese military strategist, Muro told an audience of Fresh Produce & Floral Council members "Every battle is won before it is fought."

The Fusion founder gave the presentation at the Oct. 4 luncheon of the FFFC in Southern California. He noted that the grocery industry is going through a period of dramatic change and

the possible outcomes are store closings, fewer employees, less shelf space and fewer vendors. This could not be music to the ears of the crowd, which largely consisted of those on the sell side of the equation.

His presentation wasn't a doomsday forecast but rather a potential blueprint for success. Muro took a quick look back and noted that many retailers – both grocery and general merchandise – that were prominent fixtures on the landscape several decades ago are now gone. In fact, even since this millennial dawned, the Southern California retail scene has seen more than its fair share of exits including Fresh & Easy, Wild Oats, Mrs. Gooches, Circuit City, Sports Chalet and The Good Guys, to name but a few. In

total, 6,000 retail outlets closed in 2017.

But Muro said “retail is not dying, it is transforming. There may be fewer stores but they are not going away. Shoppers are deciding where to shop.”

Speaking specifically of the grocery industry, Muro does not believe there are too many physical locations but he believes they are poorly distributed. He said there are food deserts and food meccas with too many retailers chasing the same affluent shoppers in a limited number of zip codes. He said this uneven distribution of stores is a major issue, leading to diminishing returns. As a case in point, he did research in his own neighborhood in the Los Angeles suburbs and found 18 traditional grocery stores and a multitude of mom and pop stores within a seven minute drive of his house.

And, by and large, each of these traditional market are selling and promoting the same items in the same way. This leads to downward pressure on price as one of the few differentiators. Muro said large retailers have a propensity to add more units in an effort to invoke the economies of scale. Instead, they are exacerbating the problem. But he does see light at the end of the tunnel as many of the larger retailers – including Kroger and Walmart – have announced slower growth moving forward.

And these retailers are not only competing against themselves, but against many new ways for consumers to fill their refrigerators including home delivery of grocery, meal kits and of course, on-line shopping with Amazon lurking as the behemoth.

To Muro, the solution is to change the focus to become more shopper-centric. He said many companies are doing this and argued that those will be the survivors. He said Amazon with its purchase of Whole Foods, along with several other efforts, is very shopper-friendly and continues to launch initiatives that speak to the needs of the consumer. The company is planning to have Amazon Lockers at its physical locations so consumers can order on-line and quickly go pick up their orders. The company is also mining the data obtained through purchases and creating easier ways for consumers to shop, including its Echo and Alexa devices that instantly allow consumers to connect to the Amazon platform from anywhere in their house. Soon, Muro suspects, consumers will be able to order groceries through Alexa.

Amazon, he said, wants to become the biggest retailer in size, scope and presence, with profits sacrificed for market share. He opined that this is not great news for local vendors, which proliferate in the produce industry, as this national platform relies on

national distributors. Toward their goal, Amazon is in the process of adding 19 new fulfillment centers with more than 17 million square feet of space.

To compete in this changing environment, Muro believes retailers have to focus on the “shopper experience.” They have to create new formats with both visual and appetite appeal. He applauds the growing movement to put restaurants and bars in retail outlets to create destinations for potential shoppers.

“Shoppers want entertainment,” he says, adding that retailers need to add “fun” to the shopping experience. Muro showed several slides of innovative retailers creating “destination departments” that can attract the shopper into the stores. He noted that the floral department is an excellent place to start as that is still an item consumers are cautious about purchasing on-line. And most floral products are bought in grocery stores, which creates a great opportunity to get these shoppers in your store to witness the changes you have made.

He said appetizing displays and meal-ready departments that help shoppers choose today's home menu offer more opportunities to be shopper-centric. He challenged vendors to help retailers create these unique shopping experiences. He said they need to use better packaging and new products to excite the consumer. He argued that price promotions are not the way to be a game changer. “Are you adding value?” he asked, saying packaging should include recipes and other information consumers are looking for. “Communicate with the shopper,” he advised.

Muro also touched on the “gamification of marketing”, commenting that this is a growing trend. Many consumers are into computer games and he called this an opportunity to create fun with your packaging and attract new customers. He spoke of a gaming sweepstakes that was recently very successful for a tie-in promotion with beef and mushrooms that Fusion Marketing was involved in.

He believes the trend toward convenience will continue and believes the winners will be those offering items and services that truly save time. He likes Kroger's “click and collect” option and believes the launching of an in-house snack line by the Texas retailer HEB shows innovation.

Muro concluded that there will be winners and losers as the retail landscape changes, and the winners will be those who prepare for the transformation, utilize available data to drive decision-making and work together with their partners to focus on the shopper. 🌻