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A Tipping Point for US Grocery

By [Jason Stemm](#) | Follow me on Twitter [@NYCubsFan](#)

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June was a big month in the supermarket business. [Amazon announced plans to buy Whole Foods](#), [Lidl opened its first US stores](#) and [Aldi announced](#) over \$3.4 B in investment over the next few years. Meanwhile, retail stalwarts Kroger and Walmart are making their own moves into leveraging digital to provide convenience to shoppers.

Reviewing the [US Grocery Shopper Trends 2017 report from FMI and the Hartman Group](#) offers some glimpse into how these banners will attract shoppers. While shoppers claiming a primary store has dipped along with weekly trips, the weekly spend did go up. What should be most troubling to traditional retailers is that 10 years ago, 30% more shoppers identified a supermarket as their primary store. Today, less than 50% of shoppers make such a claim. For those who do claim a primary store, quality is the top attribute they prioritize. In fact, while low prices are identified as “important” by 74% of respondents, the top six attributes are primarily related to quality and service. Low prices are less likely to draw loyalty in this multi-channel, multi-shopper reality retailers face today.



USNews.com

While the perimeter is still a main point of emphasis and distinction, food retailers are looking to other parts of the store and beyond to win the hearts and carts of shoppers. This is increasingly important as online shopping becomes more prevalent in the food category. This year, 10% of shoppers are buying food online “frequently” and 25% “occasionally” according the report, but [the biggest leap was with millennials, where 43% say they buy groceries online at least occasionally](#) . Categories do still tend to be limited, with perishables lagging, but there are indications that even this is changing.

Much of the report took a deep dive into transparency. It explores the hearts and minds of shoppers, looking at how they communicate information on the product and how consumers want information beyond the package to understand how it got there and what the brand stands for. A store’s credibility is important, and changing a reputation is challenging. This makes the face off of Whole Foods/Amazon and Walmart/Jet.com even more intriguing.

Shoppers are looking harder at manufacturers rather than retailers for much of this transparency, particularly around ingredients, process and sourcing. Areas where more is expected of retailers include treatment of employees and selection of offerings. This makes sense as they are the people shoppers see in the stores, and clear store policies on what they chose to sell makes it easier for the consumer to feel good about what he/she is selecting. While there is a desire to “make more intentional and informed decisions,” label confusion is prevalent, so a

connection with the store becomes more important. When you move to attributes beyond the package, it becomes paramount. Making that connection is how retailers will win.

[A few thoughts on how retailers can make these connections and become not just a merchant, but a partner](#)  .




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Freshen up Prepared Foods: [Why are we so far behind Europe here?](#) If you enter a UK supermarket, you are likely to be greeted by an island of fresh grab-n-go items. We seem to be largely limited to bananas and fruit cups. As snacking becomes more prevalent, and our traditional three square meals a day go away, it is an area where grocery can take away business from QSR (Quick Service Restaurants). This is also an area ripe for innovation. I often find myself opting for lunch at Whole Foods over the local deli because of the greater variety and more interesting options available.

Up Your Private Label Game: For too long store brands have been the low-cost option for pantry staples. Trader Joe's turned that on its head but putting favorite must-have products under its store brand. They have built a loyal following of shoppers who feel they find things at TJ's they cannot buy anywhere else. The US is a brand dominated market, but retailers can build loyalty by rethinking their private label strategy and developing signature offerings.

Become a Wellness Partner: Consumer concern over food and health has never been higher. Supermarket RDs have long been the face of retailer wellness programs. Hy-Vee has done a tremendous job of making it visible throughout their stores. There is still more that can be done beyond counseling. Making it easier to find these products, understanding how to combine them into healthy, balanced meals, and highlighting products (especially store brands) that have cleaner labels help customers achieve their wellness goals.

Convenience, Convenience, Convenience: Whether it is curbside pickup for the on-the-go mom, online ordering from the shopping averse millennial, or delivery for the less mobile, retailers are trying numerous ways to make the grocery shopping experience easier for customers. Digital will play a major role, but some of the soft touchpoints will also be key. I don't expect Walmart employees delivering groceries on the way home to take off (did legal sign off on this?), but services like free delivery for new parents or homebound patients are the kinds of offerings that will make a personal connection.

It looks like retailers are learning from the [plight of historic CPG brands](#) and innovating more quickly. This is only the start. Imagine where we will be in 10 more years. [What innovations do you anticipate in food retail in the next decade?](#) 

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