



COMPETING FOR SHARE OF STOMACH

TPL DISCIPLINE # 8 – REMOVE COST WHERE THE CUSTOMER CAN'T FEEL IT AND

TPL DISCIPLINE # 9 – HEALTHY PARANOIA, AWARENESS AND PURSUIT OF CONTINUOUS IMPROVEMENT

The Total Performance Leadership study and dialogue continues. TPL organizations are consistently outperforming the competition by harnessing the power of unified leadership, purpose, clarity, hiring, and measurement systems, in the relentless pursuit of customer delight, cost leadership, continuous improvement, and employee engagement.

Disciplines #8 and 9 require a relentless pursuit of reducing costs where the customer can't feel it, and a healthy paranoia, awareness and the unwavering pursuit of continuous improvement. Those who ignore these disciplines, do so at their own peril. In the world of food retailing, which has experienced one threat after another over the last four decades, Tops Markets and Southeastern Grocers are but two of the most recent casualties. There will be more, many more.

According to Caitlin Dewey, in her article that appeared March 22, 2018 in The Washington Post: *The back-to-back filings have fanned fears that some chains won't make it through the industry's current turmoil, replicating the "retail apocalypse" that has already hit American malls. The grocery business is in the midst of a radical disruption, squeezed by a range of new competitors from Dollar General to Amazon.*

Those who think the grocery business is just now in the midst of radical disruption have been asleep for a while. In 1987, Charles Butt knew that the supermarket business was destined to change forever, and that the only retailers who would survive the onslaught of the Walmart Supercenters, would have to match Walmart pricing, while delivering a highly differentiated customer shopping experience. Most of Mr. Butt's contemporaries, including his leadership team, thought his aspirations impossible. Michael Porter, the world-renowned Harvard strategist might have said so as well. What Charles was saying, is that to win in the long term, supermarket operators would have to be differentiators AND cost leaders, two strategies that are typically considered mutually exclusive.

The impending bankruptcies of 56-year-old, 169 store Tops Markets, and 600 store Southeastern Grocers, which owns 93-year-old Winn Dixie, 56-year-old BI-LO, are just more proof positive that ignoring these disciplines is fatal. There are more casualties on the way. And it's not if but when.

"I think we're going to see a lot of chains fail," said Phil Lempert, an independent food retail analyst at Supermarket Guru and the author of several books about the grocery

business. “There are some retailers who have innovated and stayed ahead of the trends. But they have been the exception.”

The pressure to evolve on so many fronts, Tops said, made it “increasingly difficult for the company to compete” with other retailers. “That is the trend now,” said Bill Urda, a senior retail analyst at Boston Consulting Group. “There is enormous pressure to charge a value price while also providing quality and service and the exact products that people want, when and where they want them.”

“We are operating in a different world,” said Peter Larkin, the chief executive of the National Grocers Association, which represents independently owned stores. “We now have club stores. Supercenters. Dollar stores. Drugstores. Click and deliver. Click and collect. Meal kits. Even Home Depot and Lowes sell food now. ... The competition has always been intense, but it used to be supermarket-to-supermarket. Now it’s supermarket-to-all-those-other-channels.” Data from the Department of Agriculture suggests this is already happening: The number of mom-and-pop stores has flatlined in the past 10 years, and their share of total stores is plummeting, according to a 2017 report.

From an observer who’s been in and around food retailing since 1970, this seems like a blinding flash of the obvious. Exceptional retailers like H-E-B, Wegman’s and Hy-Vee have been pushing very hard to innovate, differentiate and strip unnecessary costs out of their businesses for decades. Exceptional retailers are constantly practicing what Chet Cadieux, CEO of QuikTrip, the best run convenience store retailer on the planet, calls healthy paranoia. They are constantly looking at what their competition is doing and anticipating what they might do. They’ve also redefined their competition, as the lines have become blurry. Today, everyone is competing for the food dollar: restaurants of all types, ecommerce retailers, drug stores, food trucks, you name it.

The strong, adaptable, aware and smart retailers will survive, and some will thrive. Hy-Vee, an Iowa-based retailer with 245 locations across the Midwest, has built a new store, with a food-court-like format in downtown Des Moines, has become so popular that it’s begun eating into nearby restaurants’ business. H-E-B has become so good at taking costs of the supply chain and replenishment labor costs, that it’s recaptured drug and health and beauty aid business once stolen by the Walmarts and big box discounters. QuikTrip, the 850 store C-Store chain has done what few thought could be done, which is to make a convenience store a highly desirable destination stop. Winning, and winning big is still possible.

Watch for more thoughts on winning in retail and developing your best team ever. Join the Total Performance Leadership dialogue today. www.allenaustin.com