

Challenging the Behemoth: Assessing a Regional Grocer's Tactics Against Walmart

21 Jul 2010

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Article Summary

Kantar Retail recently surveyed a co-located Walmart Supercenter and a new Market Basket grocery store in the Northeast to identify how the smaller competitor effectively competes with the large chain. The study analyzed basket prices, merchandise assortments, in-store promotions, and overall ambiance, enabling suppliers to recognize and align with the two retailers' positioning. This review also reveals tactics that smaller retailers can leverage to compete against larger rivals.

How should regional retailers compete against industry giants like Walmart? This is a constant challenge of rising importance for suppliers, particularly as Walmart's US growth slows. To analyze this question, Kantar Retail assessed Walmart's performance in consumables relative to a successful and expanding regional grocer in the Northeast: Market Basket. A privately owned grocer, Market Basket operates over 60 stores in Massachusetts and New Hampshire. It is renowned for offering "no frills" layouts and low prices under the tagline, "More for Your Dollar." On the same day in May 2010, Kantar Retail visited a newly constructed 76,000 sq ft Market Basket and a Walmart Supercenter (converted to Project Impact in Q3 of 2009), located within a mile of each other in Epping, New Hampshire.

In a comprehensive assessment, this study compares these two retailers on four core dimensions, which match how this report is divided: (1) Basket Analysis, (2) Merchandise Assortments, (3) Endcap Promotions, and (4) In-Store Ambiance. Following these sections is a discussion of the overarching findings and an outline of the key implications for both suppliers and Market Basket as well as some considerations for other regional retailers.

I. Basket Analysis

To compare Walmart and Market Basket's relative price positioning, Kantar Retail developed a 37-item national brand basket, divided into three categories: Edible Grocery, Non-Edible Grocery, and Health and Beauty Aids (HBA). This basket included only identical SKUs between the retailers, and its pre-determined items aimed to represent a diverse mix of categories offered to shoppers. We took prices as offered to customers at the time of visit, including current deals. Additionally, we assessed a 12-item private-brand basket reaching across the three categories. *See appendix for detail of the specific sub-baskets.*

Overall, Walmart's branded basket was 9.5% less expensive than Market Basket's. Walmart's basket also registered lower in each of the three sub-baskets, as illustrated in Figure 1 below. *(See Appendix Figures 1–3 for details of each sub-basket.)*

Figure 1: Branded Basket Results

Basket	Walmart	Market Basket	Index (MB to WMT)
Edible Grocery	\$ 40.30	\$ 43.48	108
Non-Edible Grocery	\$ 65.49	\$ 68.80	105
Health & Beauty Aids	\$ 25.68	\$ 32.94	128
Total	\$ 131.47	\$ 145.22	110

Source: Kantar Retail store visits and analysis

We observed wide variations in the indices of the price gaps between the two retailers’ branded basket items—from a high of 152 to a low of 63 (Market Basket-to-Walmart index). In the 19-item Edible Grocery basket, eight of Walmart’s items were at least 10% less expensive than Market Basket’s offering. Similarly, six of the 12 Non-Edible Grocery basket items were at least 10% less expensive at Walmart. The HBA basket revealed more striking gaps between the two retailers, as five of the six items were at least 30% less expensive at Walmart.

Though Walmart had the edge across these three branded baskets’ prices, Kantar Retail noted the following areas where Market Basket acted aggressively on price, with the emphasis on Edible Grocery:

- **Price promotions** – Both retailers widely used price promotions. Nearly one-fifth of Market Basket’s items were on sale (7 of 37), with these centered on Edible Grocery items. Comparatively, about one-third of Walmart’s branded basket items (12 of 37) were on “Rollback” or “Save Even More” price cuts. To illustrate the impact: If these items were not on promotion at Walmart, then its overall basket would have been 8.9% more expensive than we observed (though, notably, still less expensive than Market Basket).
- **Private label baskets** – Walmart’s 12-item private-label basket, however, was 5.3% more expensive than Market Basket’s respective basket. Each of the three departments registered as more expensive at Walmart. Within each retailer, the branded/private label gaps were roughly comparable. With SKU indices ranging from 145 to 78, only five of Walmart’s private labels were priced below Market Basket’s offering (see Appendix Figure 4 for details).

II. Merchandise Ladder Assessment

In addition to the basket analysis, Kantar Retail also surveyed three categories’ merchandising ladders to identify and compare each of the retailer’s tiered offerings. Specifically, Kantar Retail selected paper towels, dry spaghetti, and fresh apples as examples across the Non-Edible, Dry, and Fresh Grocery segments (Figure 2). Following is a summary of total assortment options and private label penetration :

- Market Basket had a larger branded assortment than Walmart in two of the three categories assessed. Walmart had more branded SKUs in the paper towel category (21 SKUs vs. 17 SKUs), while Market Basket had the larger assortment in dry spaghetti and fresh apples (36 SKUs vs. 21 SKUs and 17 SKUs vs. 14 SKUs, respectively).
- On a proportional basis, private label had a slightly greater proportion of SKUs in paper towels and dry spaghetti at Market Basket compared to Walmart.

Figure 2: SKU Counts and Private-Label Penetration

	WMT		MB		Index - Branded SKUs (MB to WMT)	Index - Private Label SKUs (MB to WMT)
	Branded SKUs	Private Label SKUs	Branded SKUs	Private Label SKUs		
Paper Towels	16	5	12	5	75	100
Dry Spaghetti	17	4	28	8	165	200
Fresh Apples	14		17		121	

Source: Kantar Retail store visit and analysis

A comparison of the merchandising ladders revealed the following differences in each of the three categories:

- **Paper Towels** – Market Basket had a greater SKU presence below the USD 2 price point (seven SKUs or 41% of the assortment at Market Basket compared to three SKUs or 15% of the assortment at Walmart). At the same time, Walmart dominated the highest range of the price ladder (four SKUs or 19% of the assortment at Walmart compared to only one SKU or 6% of the assortment at Market Basket). Both retailers had SKUs distributed across the price ladder range of less than USD 1 to over USD 10. The greatest number of Walmart's SKUs (7) were in the USD 2–3.99 range, whereas the greatest number at Market Basket (5) were in the USD 1.00–1.99 range.
- **Dry Spaghetti** – Walmart's offering was substantially smaller than that of Market Basket's (21 SKUs vs. 36 SKUs). Market Basket's ladder skewed slightly higher, though its greatest concentration of SKUs was in the USD 1.25–USD 1.49 range (17 SKUs or 47% of the overall assortment). More of Walmart's SKU assortment was distributed among the USD 1.50 and lower portion (< USD 1) of the ladder (90% of the overall assortment compared to 64% of the overall assortment at Market Basket), indicating a stronger value message for the shoppers in this category.
- **Fresh Apples** – Both Market Basket and Walmart had the greatest proportion of SKUs in the less than USD 1 per pound range. At the same time, Walmart offered comparatively more pre-bagged options priced at USD 3 and above. Of note, two of Market Basket's SKUs in the USD 1.00–USD 1.99 range were organic, whereas Walmart did not offer any organic apples.

See Appendix Figures 5–7 for graphs detailing each category.

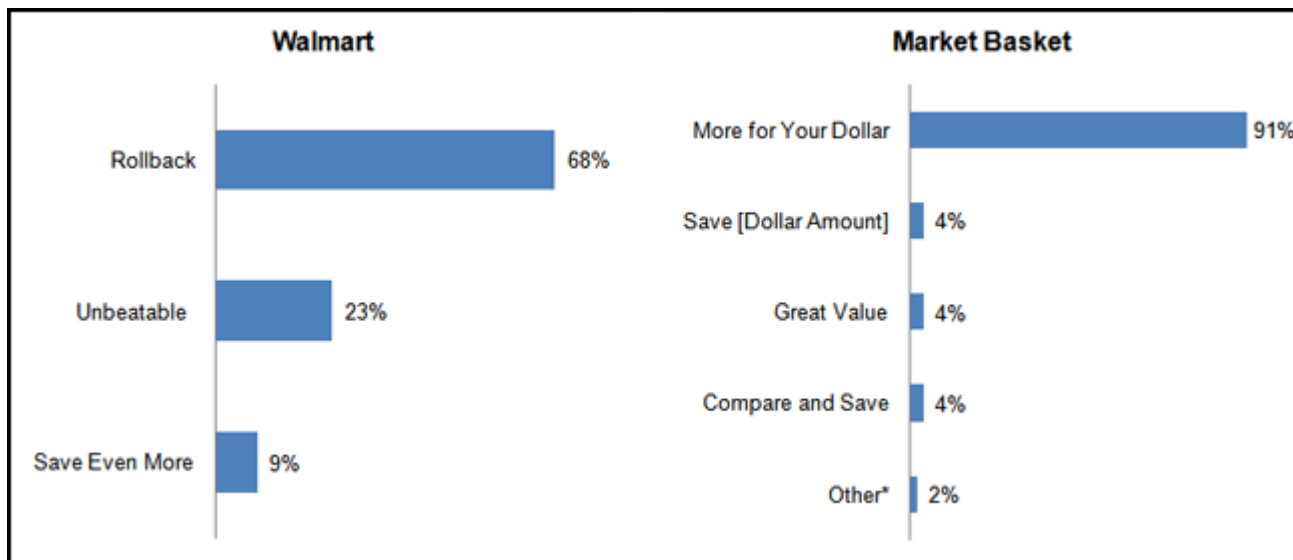
III. Promotional Endcap Displays

Kantar Retail assessed Grocery (edible and non-edible) endcaps at each retailer, observing each endcap by number of SKUs, category and brand promoted, and promotional signage. Although Walmart provided a more competitive basket price, Market Basket had significantly more SKUs on endcap display, with promotional signage that placed greater emphasis on *value*. Overall, Market Basket's total consumable endcap SKUs were more than double those at Walmart: 99 versus 48 consumable endcap SKUs, respectively.

- **Departments promoted** – Edible grocery comprised the vast majority (>89%) of consumable endcap SKUs on display at both retailers. (See Appendix Figure 8 for details). Regarding private label, Market Basket displayed more than double the proportion of private label offers compared to Walmart, though most endcaps (81% and 94%, respectively) were of branded SKUs.
- **Promotional signage** – The vast majority (98%) of Walmart's endcap SKUs had promotional signage, compared to only about two-thirds (67%) of Market Basket's endcap SKUs. Both retailers strongly emphasized *saving*: For Walmart, 68% were on "Rollback" and nearly 25% displayed were "Unbeatable" prices; for Market Basket, 91% were tagged with the "More for Your Dollar" line (Figure 3).

Regarding the endcaps with private labels, Walmart displayed "Unbeatable" or "Rollback" signage for all three SKUs offered. In contrast, Market Basket displayed "More for Your Dollar" promotional signage for only two out of the 15 private-label SKUs on display.

Figure 3: Grocery Endcap Promotional Signage, by Retailer



***Fill Your Pita Pockets with Savings"*

Note: Includes only those endcap SKUs with identified signage (some SKUs had multiple promotional signage; therefore, percentages do not necessarily add up to 100%); excludes 12 SKUs within Market Basket's "Little Debbie Center" endcap.

Source: Kantar Retail store visits and analysis

IV. In-Store Ambiance

To round out the store comparisons, Kantar Retail conducted a qualitative survey of the in-store visual presentation, décor, and tone to address how each retailer developed its engagement with its shoppers (Figure 4). Through observations of the various consumables departments, overhead signage and shelf tags, employee conduct, and the checkouts, it appeared that Market Basket employed several means to suggest a more personal, authentic atmosphere:

- **Personalized Interaction**
 - Handwritten signage, live announcements of current samples over the store's public address system, and employees assisting shoppers in the aisle.
 - None of these was observed at Walmart.

- **"Folksy" Atmosphere**
 - In-store product samplings by small, local companies versus Walmart's professional "Bright Ideas" booth.
 - More "traditional" uniform standards that including aprons and buttoned-down shirts compared to a more "corporate" uniform at Walmart that included more casual polo shirts.
 - Overall in-store décor that, while somewhat "downscale" in design compared to Walmart, had a warmer, more localized look and feel. Walmart's presentation, on the other hand, was more modern and clean but consequently seemed somewhat cold and crisp at the same time.
 - A lack of in-store digital displays, whereas Walmart's store featured its "Smart TV" screens at the entrance, on endcaps, and overhead departments.

Figure 4: Market Basket Photo Mosaic



Source: Kantar Retail store visit and analysis

All of these elements combine to create a sense of local authenticity that is inherently challenging to effectively replicate by a large, nationally scaled retailer. From the shopper's point of view, this authenticity can be perceived as being more personal. While tactics like the ones that Market Basket employs may not overtly overshadow the competition's price advantage, they do help to cement a smaller retailer's position in its local markets.

Kantar Retail Point of View

This study examined how a regional, value-oriented grocery store, Market Basket, competes against the paragon of low-price grocery, Walmart. The basket analysis revealed that Walmart was the less expensive option overall, though the regional grocer promoted and beat Walmart on select items, particular within food and private-label offerings. The endcap signage within the grocery department reiterated their respective positions: Walmart's "Rollback" and "Unbeatable" form a purely price savings message, while Market Basket's endcap signage centers on a value proposition of "more for your dollar." Moreover, Market Basket's wider assortment (in both the edible grocery items surveyed) reinforces this value stance. **Walmart's grip on price leadership was strong, but Market Basket effectively carved a relevant value proposition through assortment and signage to fulfill its shopper expectations.**

Perhaps the most striking difference was the store ambiance. This analysis found that the Walmart was so clean that it became almost sterile and so uniform that it turned almost faceless. This is somewhat unavoidable, as Walmart's scale necessitates structure and standardization to keep its operating model profitable and its brand consistent. Market Basket, by virtue of its smaller store base and greater entrenchment in its community, appeared to have an advantage here. The store's use of personal appeals, handwritten signage, and a neighborhood—as opposed to a corporate—style established the grocer as not only more regional and authentic but also as more engaged with shoppers. It is this connection that Market Basket may leverage to develop shopper loyalty, thus providing the means to maintain its shopper base (or at least share of wallet).

This examination of how one type of store—a regional, value-oriented grocery—may compete against

the industry giant, Walmart, reveals implications that may guide considerations for both retailers and suppliers, as outlined in the following table:

Strategic Focus	IMPLICATIONS		
	Walmart's Standing	Market Basket's Standing	Suppliers
Brand Equity	<p>Walmart asserted price leadership in this study, reaffirming its core brand position with widespread Rollback signage.</p> <p>This continued leverage of scale will also drive pricing pressures, as the retailer looks to widen its "save money" position in the marketplace by building its use of direct global sourcing.</p> <p>Walmart's crisp, clean in-store presence developed a standard that reinforced its "live better" image of offering shoppers a respectable option.</p>	<p>Market Basket's value proposition is grounded in building a locally relevant and authentic rapport with shoppers in the store. Its grocery assortment and price fit within acceptable range of the competitor, allowing fulfillment of its explicit value proposition.</p>	<p>Recognize each retailer's respective equity, and articulate the role of your flagship versus more esoteric brands within each retailer's box.</p> <p>Consider how their equities impact shoppers' trust for each store's private brands, being sure not to underestimate the strength of regional players. Identify how your brands are regarded relative to each retailer's position, and consider co-promotion opportunities accordingly.</p>
Promotions	<p>Walmart will remain consistent and continue to develop its Project Impact remodels and the new Merchandising Execution group, leveraging its scale for bigger, wider marketing efforts.</p> <p>Walmart will further develop its in-store digital appeals, as Smart TV networks roll out in tandem with Project Impact remodels and Walmart.com is engrained within Walmart US's Merchandising teams.</p> <p>Advancement of more sophisticated, national campaigns and appeals are poised to increase.</p>	<p>Given the regional role that Market Basket plays, it's suited to develop an area presence through means such as local sponsorships and active support of area events. Understanding that personal interactions are its core advantage, its ability to recognize and respond to changing community dispositions and needs will guide future success.</p>	<p>Identify the implications that each retailer's position has for the development of "mass" versus personal appeals created for your shoppers through these outlets.</p> <p>Consider exploration of appeals via social media in conjunction with the regional players, as they may hold a more personal connection with their base. Incidentally, both retailers have Facebook pages.</p> <p>Recognize how your brands fit with the wide, standardized appeals of Walmart's vehicles, such as Smart TV.</p>
Assortment	<p>Under the "Win, Play, Show" framework, Walmart has discontinued many SKUs. Although the retailer has brought back at least several hundred SKUs to date, it is on the whole satisfied with the efficiency and response the program has delivered. The retailer continues to monitor which SKUs cost the shoppers' trips, but going forward its assortment will remain curbed</p>	<p>As a regional grocer with a sizable box, Market Basket offers a breadth of grocery items. This may provide shoppers both a resource and an experience to hunt for more obscure offerings, especially in consideration of its shoppers' trust. Maintaining its breadth and encouraging discovery of distinct products further its</p>	<p>Explore rising growth opportunities at the regional players, as Walmart (and other "big box" retailers) have slowed store growth plans.</p> <p>Consider leveraging regional players to test new product launches, as they may be more likely to offer shelf space, a limited testing ground, and the social feedback needed to nimbly evaluate performance.</p>

assessment will remain correct relative to the levels seen before the SKU reductions began.	position as a more personally engaging store.	Monitor the price elasticity between your brands and Walmart's and more regional players' private labels.
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Recommended Resources:

- [FDM Retail Perspectives: What's Behind Best-in-Class Regional Retailers?, Part 1, June 2010](#)
- [US Grocery Forecast: Stubbornly Unconsolidated](#)
- [MVI Answers Year-End Forum Client Questions, Part 2: The US Grocery Channel](#)
- [Walmart, Target Battle Sharply on Price in Latest "Save Money" vs. "Pay Less" Basket Analysis](#)

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APPENDIX

Appendix Figure 1: Edible Grocery Basket

Segment	Product	Brand	Walmart	Market Basket	Index (MB to WMT)
Ice Cream	Cardboard tub	Breyers	\$ 1.98	\$ 2.99	151
Bread	White sandwich bread	Wonder	\$ 2.18	\$ 3.19	146
Cereal	Corn flakes	Kellogg's	\$ 2.56	\$ 3.49	136
Frozen Pizza	Pepperoni pizza	Digiorno	\$ 4.50	\$ 5.49	122
Potato Chips	Regular (original)	Lay's	\$ 2.48	\$ 3.00	121
Orange Juice	No pulp, carton	Tropicana	\$ 2.50	\$ 2.99	120
Soup	Chicken noodle soup, can	Campbell's	\$ 0.68	\$ 0.80	118
Peanut Butter	Creamy, plastic jar	Skippy	\$ 2.08	\$ 2.29	110
Baby Food	"Nature Select"- strained vegetables, plastic jar	Gerber	\$ 0.96	\$ 1.00	104
Apple	Fuji - fresh, 1 lb		\$ 0.97	\$ 0.99	102
Milk	2% milk fat, plastic jug	Hood	\$ 3.14	\$ 3.19	102
Pasta (dry)	Angel hair "Plus"	Barilla	\$ 1.98	\$ 2.00	101
Banana	Fresh bunch, 1 lb		\$ 0.39	\$ 0.39	100
Green pepper	Green bell pepper, fresh - whole, 1 lb		\$ 1.49	\$ 1.49	100
Pasta sauce	Traditional - "natural", glass jar	Prego	\$ 2.08	\$ 2.00	96
Butter	Salted, four sticks	Land O'Lakes	\$ 3.22	\$ 2.99	93
Ketchup	Plain, squeeze bottle	Heinz	\$ 1.88	\$ 1.69	90
Canned Tuna	Solid white albacore, packed in water	Bumble Bee	\$ 1.25	\$ 1.00	80
Pop	Fridge pack, 12 cans	Coca-Cola Classic	\$ 3.98	\$ 2.50	63
			\$ 40.30	\$ 43.48	108

Source: Kantar Retail store visit and analysis

Appendix Figure 2: Non-Edible Grocery Basket

Segment	Product	Brand	Walmart	Market Basket	Index (MB to WMT)
Glass Cleaner	Regular	Windex	\$ 1.97	\$ 2.99	152
Light Bulbs	6E soft white bulbs, 60 watts	GE	\$ 1.50	\$ 1.99	133
Laundry Soap	2x Ultra - 64 loads	Tide	\$ 10.94	\$ 14.39	132
Toilet Cleaner	Toilet bowl cleaner	Clorox	\$ 1.88	\$ 2.19	116
Diapers	Snug n 'dry, size 2	Huggies	\$ 8.97	\$ 9.99	111
Dog Food	Adult complete nutrition	Pedigree	\$ 12.57	\$ 13.99	111
Dish Soap	Ultra lemon	Joy	\$ 2.14	\$ 2.29	107
Wipes	Disinfecting wipes	Clorox	\$ 4.73	\$ 4.99	105
Foil	Aluminum foil	Reynold's	\$ 8.36	\$ 6.99	84
Food Storage	Gallon storage bags, double zipper	Ziploc	\$ 3.96	\$ 3.00	76
Trash Bags	30 gallon, 3-ply large trash bags	Glad	\$ 8.47	\$ 5.99	71
			\$ 65.49	\$ 68.80	105

Source: Kantar Retail store visit and analysis

Appendix Figure 3: Health and Beauty Aids Basket

Segment	Product	Brand	Walmart	Market Basket	Index (MB to WMT)
Shaving Gel	Extra moisture gel	Edge	\$ 1.97	\$ 2.89	147
Floss	Mint waxed floss	J & J Reach	\$ 0.97	\$ 1.39	143
Hand Lotion	Healthy hand & nail	Vaseline	\$ 2.97	\$ 3.99	134
Hair Coloring	Colorsilk - beautiful	Revlon	\$ 2.97	\$ 3.99	134
Pain Killer	Ibuprofen, 200 Mg	Advil	\$ 12.96	\$ 16.99	131
Baby Powder	Baby powder	Johnson's	\$ 3.84	\$ 3.69	96
			\$ 25.68	\$ 32.94	128

Source: Kantar Retail store visit and analysis

Appendix Figure 4: Private Label Basket



	Segment	Product	Walmart			Market Basket			Private Label
			Branded	PL	Index (PL v. Branded)	Branded	PL	Index (PL v. Branded)	Index (MB to WMT)
Edible	Milk	2% milk fat, plastic jug	\$ 3.14	\$ 2.19	70	\$ 3.19	\$ 2.39	75	109
	Ketchup	Plain, squeeze bottle	\$ 1.88	\$ 1.18	63	\$ 1.69	\$ 1.19	70	101
	Bread	White sandwich bread	\$ 2.18	\$ 1.17	54	\$ 3.19	\$ 1.09	34	93
	Butter	Salted, four sticks	\$ 3.22	\$ 2.17	67	\$ 2.99	\$ 1.99	67	92
	Canned Tuna	Solid white albacore, packed in water	\$ 1.25	\$ 1.14	91	\$ 1.00	\$ 1.00	100	88
		Total Edible	\$ 11.67	\$ 7.85	67	\$ 12.06	\$ 7.66	64	98
Non-Edible	Glass Cleaner	Regular	\$ 1.97	\$ 1.37	70	\$ 2.99	\$ 1.99	67	145
	Wipes	Disinfecting wipes	\$ 4.73	\$ 3.48	74	\$ 4.99	\$ 3.99	80	115
	Foil	Aluminum foil	\$ 8.36	\$ 6.42	77	\$ 6.99	\$ 5.99	86	93
	Food Storage	Gallon storage bags, double zipper	\$ 3.96	\$ 2.48	63	\$ 3.00	\$ 2.00	67	81
	Trash Bags	30 gallon, 3-ply large trash bags	\$ 8.47	\$ 6.36	75	\$ 5.99	\$ 4.99	83	78
		Total Non-Edible	\$ 27.49	\$ 20.11	73	\$ 23.96	\$ 18.96	79	94
HBA	Floss	Mint waxed floss	\$ 0.97	\$ 0.92	95	\$ 1.39	\$ 0.99	71	108
	Baby Powder	Baby powder	\$ 3.84	\$ 1.76	46	\$ 3.69	\$ 1.50	41	85
		Total HBA	\$ 4.81	\$ 2.68	56	\$ 5.08	\$ 2.49	49	93
		Total Basket	\$ 43.97	\$ 30.64	70	\$ 41.10	\$ 29.11	71	95

Source: Kantar Retail store visit and analysis

Appendix Figure 5: Walmart/Market Basket Merchandising Ladders – Paper Towels



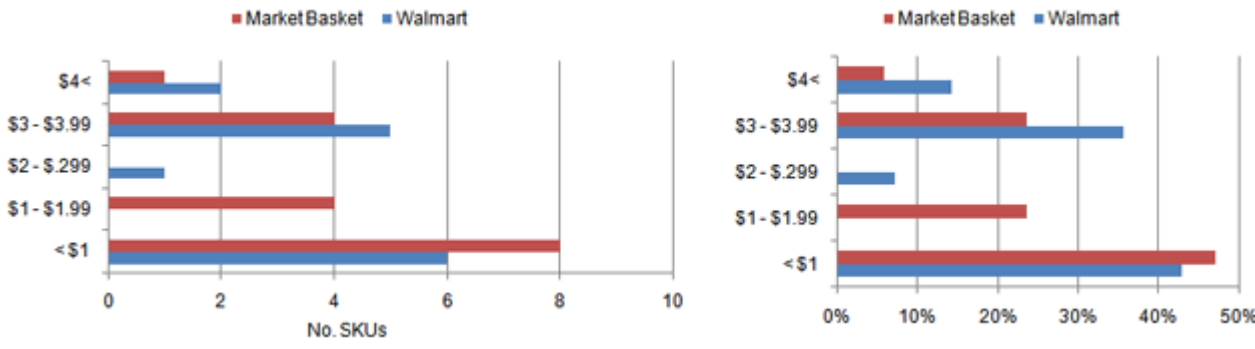
Source: Kantar Retail store visit and analysis

Appendix Figure 6: Walmart/Market Basket Merchandising Ladders – Dry Spaghetti



Source: Kantar Retail store visit and analysis

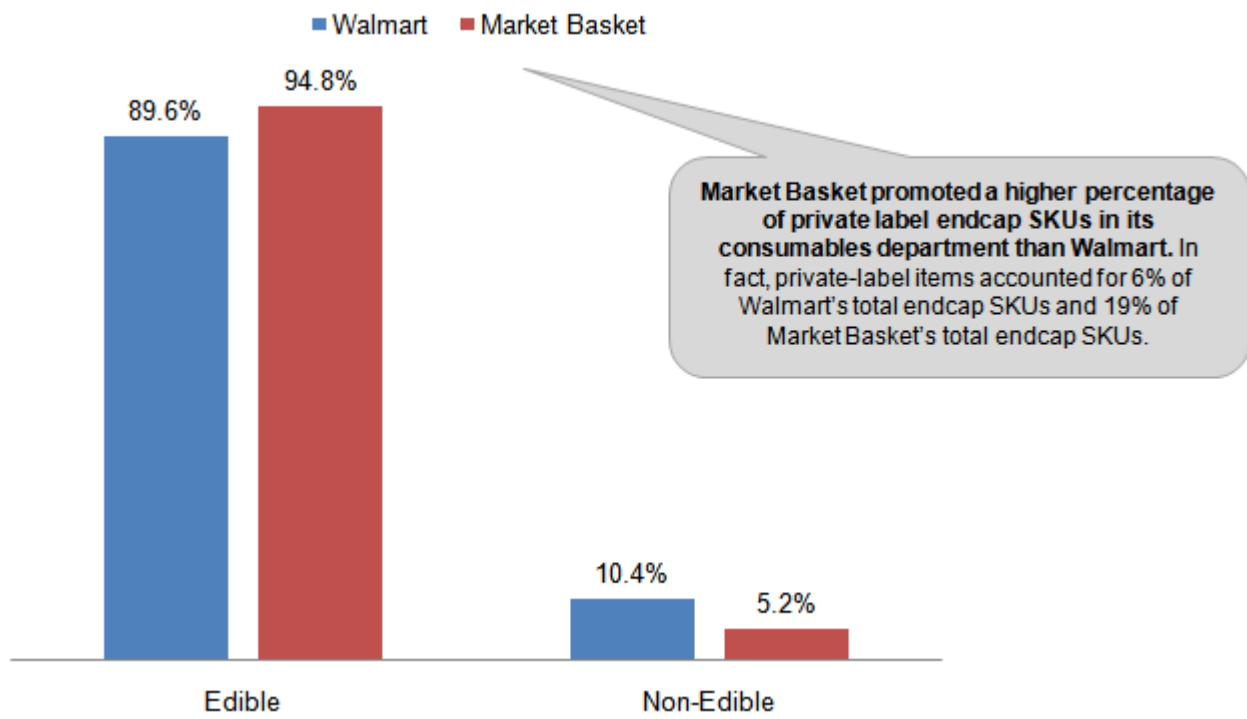
Appendix Figure 7: Walmart/Market Basket Merchandising Ladders – Fresh Apples*



*Note – Open bin apples were taken at the per pound price. Bagged apples prices were taken as is.

Source: Kantar Retail store visit and analysis

Appendix Figure 8: Grocery Department Endcaps – Proportional Representation



Source: Kantar Retail store visit and analysis