

Superconsumer Solutions to Reinvent Grocery

STORIES AND MERCHANDISING SOLUTIONS ARE WHAT WE NEED FOR TODAY AND TOMORROW. **By Eddie Yoon**



Wintertime in Hawaii is the window for epic waves on the North Shore, which could lead to a thrilling ride of your life, or a frightening or even fatal wipeout. It's much like being in the grocery business right now: Grocers face three major waves that will either propel the industry forward to new heights or leave behind bruised businesses and broken brands.

We need to take a step back, rethink everything and consider radical solutions. Business as usual won't work.

More money now is spent on eating out than buying, storing and cooking food at home. Eating out and delivery have always been fun, but have never been better. We have more multicultural options to eat, with a greater ability to personalize our food to be tastier or healthier, with more convenience and at lower prices than ever.

Technology has disrupted how we eat and drink. Domino's not only improved its pizza, but also doubled down on technology. More than half of its orders are digital, and it's now testing driverless cars for delivery. If you don't believe that Domino's is as much a technology company as it is a food company, then consider that an investment in Domino's Pizza stock in January 2010 would have outperformed Apple, Google, Amazon and Facebook.

Finally, we are migrating from a scale economy to a superconsumer (high-passion, high-spending consumers) economy. Scale used to yield huge advantages, but that was when consumers had limited choices. When you had only three TV channels to choose from, then scale mattered a lot. Now that the consumer has exponentially more choices of what to watch, it's far more important to anticipate what people want than to advertise what you make.

Superconsumers are the consistent theme through all of these waves. Pizza superconsumers love pizza, period, and buy frozen pizza and deli pizza, as well as delivery or restaurant pizza. They love new technology that helps them enjoy and learn about pizza. And they are less interested in the "lowest common denominator" pizza that results from scale, but rather are inspired by fellow superconsumers' new creations at Blaze or Mod Pizza.

Having literally written the book on superconsumers and created growth strategies for many food and beverage companies for two decades, I offer three things grocers can do now to win in this brave new world.

Cross-promote to Drive Aisle Conversion

One of the coolest findings from mining terabytes of Nielsen Big Data was that a superconsumer of one category was a superconsumer of as many as nine others. Often, these categories were surprising and spanned beyond the store.

For example, someone who loved standby electric generators also tended to buy more life insurance than they needed, had two or more refrigerators and freezers, and were superconsumers of vitamins. These were "preppers" ready for the worst-case scenario.

The International Dairy-Deli-Bakery Association discovered that some superconsumers of cheese from the deli section were also superconsumers of pizza. For



example, one pizza superconsumer was a graduate student who loved pizza but was tired of spending so much money on delivery. So he started buying frozen cheese pizzas and combining them with specialty cheeses and meats from the deli to top them off at home. This enabled him to personalize his pizzas while still spending less money. Cross-promoting frozen pizza and the deli is a novel idea that also gets shoppers to go down more aisles.

Superconsumers have unlimited creative, quirky solutions to solve the problems they have or to fulfill broader quests in their lives. They don't just use one category, but teams of categories, to solve them. Figure out what those teams are, and cross-promote creatively.

Merchandise Stories to Grow the Category

Big Data is, of course, important, but stories are even more so. Every superconsumer has an "origin story" of how they became a superconsumer, as they're not born, but evolve that way over time.

Understanding the evolution and key triggering events can lead to creative merchandising solutions that not only appeal to superconsumers, but attract new users to the category as well.

For example, more than a decade ago, a hot dog company realized its category superconsumers were households with teen boys, and that these teens were consuming many of the hot dogs in a surprising need state: the after-school snack. Going deeper into the superconsumer origin story, the company realized a few key insights: The teen had eaten lunch hours earlier and was starving after school. But speed was critical, as they had loads of homework, sports or other after-school activities to get to. Satiety was key, too, as they didn't want a blood-sugar crash later.

These teen superconsumers discovered that hot dogs were the perfect after-school snack. Hot dogs took 30 seconds to heat in the microwave and 30 seconds to eat, so much faster than a frozen appetizer or snack. But because it was protein, it was more satiating than chips or other carb snacks. This was key, because if you asked Mom whether hot dogs were healthy, she'd generally say no. But if you asked whether they were healthier than chips or carb snacks, then she'd absolutely say yes.

The hot dog company partnered with retailers to merchandise this story and not only grew themselves, but also grew the category. Profits grew even faster, as the after-school snack was counter-seasonal to the summer hot dog season, where volume is very high but heavily discounted, so not very profitable.

This is where leaning into technology, specifically social media, can be helpful — not to "talk to consumers," but rather to listen and learn. A huge portion of Instagram and Facebook is photos of food. Look at what people are eating and combining together. I know of \$100 million new products that emerged from an idea from Pinterest. People are telling their stories. We just have to be humble and remember that we still have much to learn.

Shift Assortment to 'Eating' Versus 'Cooking'

I recently wrote in the *Harvard Business Review* that cooking is likely to go the way of sewing. My hypothesis is that cooking is migrating from "most consumers, most of the time" to "some consumers, some of the time." This means that a lot of food categories will likely face strong headwinds, which makes it very difficult for both food brands and grocery stores to grow.

Now, this doesn't mean that no one will cook, nor that grocers have to be 100 percent foodservice. This means that grocers need to reflect the right ratio of categories and brands that you can more readily eat, versus focused on cooking. In fact, just being one step closer to eating and drinking can help, since you don't have to outrun the bear, just the slowest person.

Each merchant needs to look at its category and map out a spectrum of

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cooking to eating across grocery and food-service, and ask itself what's growing, and is this reflected in what I have?

For example, rotisserie chickens are a great example of eating versus cooking. But even that can go further, as with already-pulled chicken. Or by looking at Chik-Fil-A's growth, grocers might consider a wider array of fried/breaded chicken for sandwiches. Deli pizza might evolve to mimic what the fast-casual channel offers.

We see the same thing in center store. For example, single-serve coffee reinvigorated the coffee category by being one step closer to drinking coffee than having to make a full pot. The growth of jerky similarly represents the desire to eat meat versus cook it. In the produce aisle, fresh-cut fruit remains a brilliant category that makes consumers happy — and grocers very happy, too — by making a nice profit on food that was going to waste.

This is where scale can be a hindrance and speed is likely far more important. Shelf resets may need to occur more frequently. We may need to redo aisles and create new sections to excite shoppers. We may need to invest more in labor to create exciting experiences that drive trips to the store.

My view is that the growth of Aldi and the threat of Lidl and price-driven e-commerce are perhaps the best medicine for grocers. It will force us to confront the truth that scale isn't as valuable as it once was, and that superconsumer stories and merchandising solutions are what we need for today and tomorrow. **PG**