

# Walmart Prepares for a Food Fight

Stores, prices, private labels, e-commerce, etc. – mass merchant is evolving to succeed

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By Patrycja Malinowska

Walking a **Walmart** store today, it's hard to miss the changes the mega-retailer has been making as it prepares to battle for grocery domination.

The basics are easy to spot: Produce quality is better, presentation has improved and stores are cleaner. The retailer is following through on efforts to improve sourcing and supply chain for fresher product. A new signage package gives everything a crisp feel. And thanks to aggressive pricing moves in local markets, low prices are displayed front and center.

Also apparent is the simultaneous infiltration of more and more attractively packaged private-label products on shelves. "Where there's a quality gap, a price gap or an innovation gap, we're going to do it through private brands," Walmart U.S. executive vice president of food Charles Redfield recently told *Supermarket News*.

A major part of the retailer's entrenchment strategy, private label this year is expected to rise above the 17% of U.S. market share it already commanded in 2016, according to **Euromonitor**. The trademark infringement lawsuit **Kroger** filed against incoming German-based discounter **Lidl** pits fellow private-brand competitors against each other – rather than the more common case of national brand versus private label knockoff – and shows how far private brands have come.

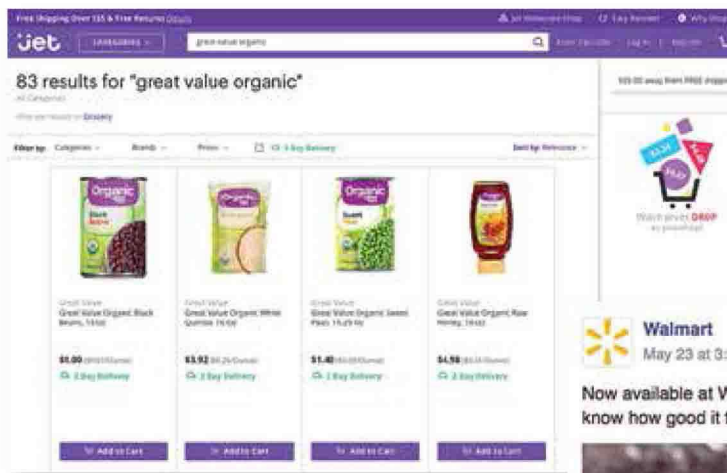
Walmart has been rapidly expanding its private-label selection while at the same time improving packaging and product formulation. And it has been supporting its own brands with prominent merchandising space in stores plus print and digital marketing support.

These efforts are made not only in anticipation of a grocery landscape that will surely be increasingly influenced by hard discounters in the years ahead, but also potentially greater competition following **Amazon.com's** expected purchase of alternative grocer **Whole Foods**.

If it combines its low-price strategy and internet savvy with Whole Foods' well-known 365 Everyday Value brand, Amazon could bring organic food to the masses like never before.

Walmart saw this coming. In addition to e-commerce focused moves such as expanding its fulfillment options and quickly adding Great Value to the assortment on Jet.com after acquiring the e-tailer, Walmart also has zeroed in on organic offerings. In stores, Great Value Organic oatmeal priced at \$2.50 is stocked next to PepsiCo's Quaker organic oats, which sells for \$2.88, and Great Value Organic ketchup priced at \$1.88 sits next to General Mills' Annie's organic ketchup, listed at \$2.68.

The price disparity is one way for Walmart to market its new offerings. But it's not just because "brands are the best place to show price differentiation" that the retailer remains committed to a balanced assortment, chief financial officer Brett Briggs said during the dbAccess Global Consumer Conference in June. It's because "our



customers want brands," Briggs said. "The big multinational suppliers are very important to what we do. But we also want to ensure that we have innovation in our stores and that we have the ability to have local suppliers or regional suppliers to be a store of the community."

Getting a strong, loyal following for its own brands is an important part of Walmart's strategy.

Great Value Organic first rolled out in the U.S. last year to replace the Wild Oats organic brand, which Walmart had introduced two years prior through an arrangement with Yucaipa. Wild Oats was intended to quickly bring shoppers lower-priced organic options, but left to flounder without much marketing or merchandising support, it didn't meet expectations.

Walmart instead has grown its own network of organic suppliers and expanded its Great Value Organic selection from items such as canned food, spices and dressing at launch to span the breadth of the grocery aisles with mustard, raw and unfiltered apple cider vin-

egar, eggs, butter, ground beef, strawberries, carrots and leafy greens, among others.

At the shelf, the retailer maintains a balance of branded products and private label. Briggs indicated that the retailer's merchandising strategy hasn't changed dramatically in the store. But whether it's own brands or national brands, there is no denying this is not the Walmart of yesteryear. **SM**

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