

Case Study

Grocer Combats Market Share Loss of New Competitor Location

Background and Client Objectives

A national grocer was concerned about a competitor moving into one region. As the competitor's first location was preparing to open, the client saw it as an opportunity to better understand how this new player would affect the competitive landscape at this one location, as well as in the entire region. This competitor offered similar products at lower prices than the client, but the client was unclear if that alone would drive traffic away from their store.

Specifically, the client wanted to know how a nearby competitor store opening impacts customer perceptions of the client, and, with targeted marketing, how do customer perceptions of the client change over time. What, if anything, should the client do in order to meet its new challenger?



Methodology

In order to understand the potential threat brought by this new competitor, TrendSource recommended the client implement an online web survey program, running two one-month rounds at the location in question. This methodology would allow the client to directly tap into the perceptions of their existing customer base in regards to quality, price, selection, and availability of local and organic products. Customers would further be asked to rank these attributes in terms of their priorities when selecting and returning to grocery store.

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Implementation

In August and again in February, over 200 customers responded to the web survey invitation. In between the rounds, the client executed targeting marketing campaigns, suggested by TrendSource, and focused on pricing strategies in the product categories that posed the largest threat to their regional market share (based on the first round's findings). The scores from the two rounds were then compared to see what, if any, impact the competitor had on customer perceptions of the client's store and their likelihood to continue shopping there.

Key Findings and Recommendations

Unlocking the two rounds of data, TrendSource found that customer perception of the client's overall quality went undiminished by the new competitor. This validated the strategies TrendSource recommended and the client implemented between rounds in order to combat this new entrant, showing that with those efforts the competitor would not pose an immediate threat. Validated by their sales data, it was evident that existing customers were not drawn away by the competitor's relatively lower prices so long as the client continued to be perceived as a destination for the highest quality products, widest selection, and best customer service.

Based on this data, TrendSource recommended the following:

1. That the client continue to focus on being a market leader in quality of food and service, playing to its strengths and leaning into its already established reputation
2. That the client only target lower price strategies in select product categories to avoid losing wallet share to the competitor. The client was already seen as a premium destination and lowering prices would not significantly change customer perception across all categories
3. That the client follow a similar strategy as more competitor branches opened in the region, and continue to monitor them through additional program rounds