



## PERSPECTIVES ON GROCERY RETAIL

### ***TRUST: THE NEW POINT OF DIFFERENTIATION***

It's no secret that survival in the arena of grocery retailing depends on the degree to which one can differentiate their store(s) from competitors by appealing to the consumer in a unique manner. We are all familiar with discount stores, speciality produce or meat offerings, health food or natural and organic retail outlets. Some are able to capture the interest of the consumer to a greater extent than others while a few, such as Costco, have a unique formula which has truly stood out. These points of differentiation have been built on product or service formats designed to capture the interest of the consumer.

But in November, the CEO of Walmart, Doug McMillon changed the way we look at differentiation when he announced that **trust** would differentiate the Walmart of the future.

Now, in the past few years many have been the issues pertaining to social licence and opined that each was becoming more important to the process of procurement. Indeed, Walmart has been in the forefront of most of them by publicly defining acceptable practices in each area. But now the company has gone beyond by combining the issues of ethics, provenance, health and sustainability into a bold statement of exactly what the company stands for. In doing so, Walmart is appealing to a sense of trust that the values held by their consumer are identical to those of the company. What was remarkable about his statement was that it didn't discuss volume, performance or returns – only the henceforth Walmart would reflect the values of its consumer and therefore gain sustained trust.

What does this mean for the supply chain and most particularly the primary producer? Well, it certainly underscores that transparency will be essential going forward. That won't be limited to satisfying companies like Walmart, but will also be inclusive of the consumer. The primary producer will need to understand and embrace the standards articulated and expected by these large food distributors. Over time, appropriate adjustments in production techniques may be necessary. You see, Walmart won't be the only company moving in this direction – more will follow suit because the Millennial consumer in particular is demonstrating purchasing behaviour based on compatibility with their values.

The great news for the farming community is that the primary producer is the most trusted link in the supply chain. In the mind of the consumer, you are the group which best reflects their values. This will open the opportunity for more direct links between producer and retailer. The most recognized retailer to introduce specific farmers in store as part of their appeal has been Whole Foods. From time to time the Loblaw Companies (Real Canadian Super Store, No Frills, Extra Foods, Your Independent Grocer) feature farmers as "partners" in their media campaigns. But the new realities of consumer trust and transparency will drive an increased interest by retailers in all types of stores (except discount) to demonstrate their positive relationship with the primary producer. This provides a tremendous opportunity to tell your unfiltered story to the consumer!

At the recent Farm & Food Care Conference I was asked if retailers are more interested in profiling an association or individual farmers. The answer is obvious but it will take the association to open the door, introduce the producers and provide the right messaging. It seems to me that, with the Walmart announcement, the time is right to seize the agenda, approach the retailers and develop an effective way to profile that essential partnership. It is an exceptional opportunity that Canada's primary producers must enthusiastically embrace.

John F.T. Scott

*John F.T. Scott is an economist who speaks, writes and consults on the food distribution industry. He is the author of "Perspectives on the Retail Food Industry," and is a member of the Board of Directors of the Canadian Agri-Food Policy Institute*