

WAL-MART PRICING STUDY ROUND XV

The Love/Hate Relationship With Wal-Mart



In Kansas City, MO, low prices are not necessarily enough to drive consumers away from the competition and into Wal-Mart.

BY JIM PREVOR

Wal-Mart's problem is that, much more than other chains, many people hate Wal-Mart. As we've been doing consumer focus groups on corporate social responsibility, we hear over and over again a distaste for Wal-Mart that we virtually never hear in regard to other chains.

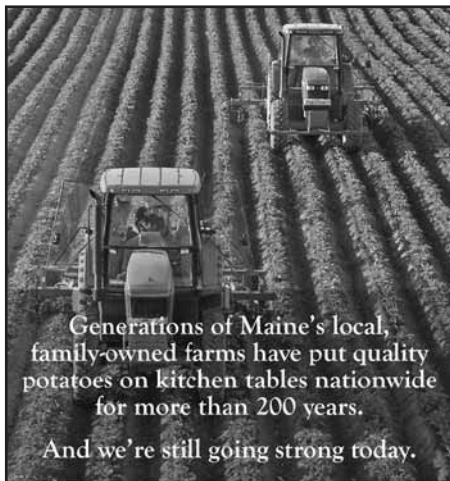
Surprisingly, it is in only a small minority of the cases that this feeling relates to corporate issues. You get a few newshounds who can mention court cases related to Wal-Mart or have read about issues regarding Wal-Mart and health insurance for employees or unrecorded overtime or "sweatshops" overseas producing product for Wal-Mart. The vast majority of the time, however, you get people simply extrapolating from their own experience at their own Wal-Mart, and you quickly see how Wal-Mart's key problem is inconsistency of retail execution.

People's opinions about Wal-Mart often depend on where the

stores are located and from which demographic the stores are drawing. In recent focus group studies conducted by PRODUCE BUSINESS, consumers are of two minds about Wal-Mart. Those who live near stores in rural and outer suburban areas always seem to like Wal-Mart. The stores are reported as safe, clean and providing a decent selection even on items such as produce.

As stores approach more urban and inner-suburban areas, though, consumer attitudes change. Even consumers who report enjoying the one-stop shopping convenience start to report a fear of visiting certain Wal-Mart locations at night because they are afraid of being mugged or killed.

The urban and suburban consumers in our focus groups report that Wal-Mart mistreats its employees — not because they know anything particular about the subject but because their experience with Wal-Mart employees in these more urbanized locations is one of interacting with people who are surly, angry



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How They Stack Up Against Wal-Mart Supercenter

Region	Store	% over Wal-Mart	Store	% over Wal-Mart	Store	% over Wal-Mart
Connecticut	Super Stop & Shop	.23%	Shaws	.34%	Big Y	.36%
Salt Lake City	Harmon's	.2%	Smith's	.6%	Albertson's	.12%
South Florida	Super Target	.22%	Publix	.31%	Winn-Dixie	.52%
Dallas, Texas	Albertson's	.23%	Brookshires	.7%	Kroger	.19%
	Neighborhood Market	—1.2%	Tom Thumb	.27%		
Portland, OR	Albertson's	.30%	Fred Meyer	.22%	Haggen	.27%
	Safeway	.37%				
Phoenix, AZ	Albertson's	.22%	Bashas'	.25%	Fry's	.15%
	Safeway	.17%				
Palm Springs, CA	Albertson's	.19%	Jensen's	.60%	Ralphs	.16%
	Vons	.20%				
Detroit, MI	A&P Food Basic	—17%	Farmer Jack	.24%	Kroger	.28%
	Meijer	.3%				
St. Louis, MO	Dierbergs	.22%	Schnucks	.14%		
Houston, TX	HEB	.15%	Kroger	.30%	Fiesta Mart	—0.3%
Atlanta, GA	Harry's	.18%	Ingles	.16%	Kroger	.25%
	Publix	.13%	Target	.3%		
Denver, CO	Albertsons	.16%	King Sooper	.21%	Safeway	.25%
Portland, OR	Albertsons	.32%	Fred Meyer	.21%	QFC	.54%
	Safeway	.30%				
Toronto Canada	A&P	.35%	Brunos	.28%	Loblaws	.13%
	Sobeys	.45%				
Kansas City	Dillon	.20%	Hen House	.15%	Hy-Vee	.18%
	Price Chopper	.13%				

and just don't care.

The stores are reported as dirty, with out-of-stocks frequent and, in general, places they prefer not to go.

Some go anyway. Once in a while, they go for convenience but, mostly, they go for price. It is not uncommon to hear people say things such as they hate the store so much they boycotted it for a while and then returned only because they couldn't afford not to go there.

WAL-MART STANDS ALONE IN KANSAS CITY

This alienation from many Wal-Mart locations allows such market dynamics to exist in Kansas City.

This marks our 15th *Wal-Mart Price Report* covering 14 cities (we made two trips to Portland, OR). If you look strictly at the numbers, you wonder why Wal-Mart, big as it is, isn't bigger. In a city such as Kansas City, if you just walk into the store and buy produce, three of the big competitors — Dillon (owned by Cincinnati, OH-based Kroger), Hen House and Hy-Vee — seem to pay close attention to each other's produce pricing — and none to Wal-Mart's.

There is not even 1.5 percentage points of difference between the three, with Dillon coming in at 23.54 percent over Wal-Mart on produce pricing, Hen House at 24.72 percent over Wal-Mart on produce pricing and Hy-Vee coming in at 24.98 per-

Wal-Mart Supercenter vs 4 Chains
Price Comparison — Kansas City, MO
Prices Available To The General Public

Produce Item	How Sold	Wal-Mart Supercenter	Dillon	% Over Wal-Mart	Hen House	% Over Wal-Mart	Hy-Vee	% Over Wal-Mart	Price Chopper	% Over Wal-Mart
Apples - Granny Smith	Lb	\$1.38	\$1.99	44.20%	\$1.99	44.20%	\$1.79	29.71%	\$1.49	7.97%
Apples - Red Delicious	Lb	\$1.38	\$1.49	7.97%	\$1.69	22.46%	\$1.58	14.49%	\$1.49	7.97%
Asparagus	Each	\$3.23	\$4.69	45.20%	\$3.99	23.53%	\$3.89	20.43%	\$3.99	23.53%
Avocados - Hass	Each	\$1.77	\$1.49	-15.82%	\$2.00	12.99%	\$1.39	-21.47%	\$1.99	12.43%
Bananas - Yellow	Lb	\$0.52	\$0.49	-5.77%	\$0.59	13.46%	\$0.57	9.62%	\$0.59	13.46%
Beans, Green	Lb	\$1.58	\$1.69	6.96%	\$1.29	-18.35%	\$1.49	-5.70%	\$1.69	6.96%
Blueberries Clamshell	Each	\$3.38	\$3.99	18.05%	\$3.99	18.05%	\$3.99	18.05%	\$3.99	18.05%
Bok Choy	Lb	\$0.88	\$1.59	80.68%	\$0.99	12.50%	\$1.29	46.59%	\$0.79	-10.23%
Broccoli	Bunch	\$2.18	\$2.49	14.22%	\$1.99	-8.72%	\$2.89	32.57%	\$1.49	-31.65%
Broccoli Crowns	Lb	\$1.57	\$1.39	-11.46%	\$0.99	-36.94%	\$1.99	26.75%	\$1.29	-17.83%
Cabbage - Green	Lb	\$0.54	\$0.69	27.78%	\$0.59	9.26%	\$0.59	9.26%	\$0.49	-9.26%
Cabbage - Red	Lb	\$0.68	\$1.19	75.00%	\$0.99	45.59%	\$0.79	16.18%	\$0.79	16.18%
Cantaloupe - Whole	Each	\$0.98	\$3.99	307.14%	\$2.50	155.10%	\$2.00	104.08%	\$2.50	155.10%
Cauliflower	Each	\$2.48	\$2.69	8.47%	\$2.99	20.56%	\$1.88	-24.19%	\$1.99	-19.76%
Celery	Bunch	\$1.36	\$1.29	-5.15%	\$1.29	-5.15%	\$1.49	9.56%	\$0.99	-27.21%
Coleslaw - 1# Bag	Each	\$1.44	\$1.59	10.42%	\$1.69	17.36%	\$1.49	3.47%	\$1.39	-3.47%
Corn - Yellow	Each	\$0.20	\$0.40	100.00%	\$0.50	150.00%	\$0.33	65.00%	\$0.50	150.00%
Dips-Marzetti 15.5 oz	Each	\$2.98	\$3.49	17.11%	\$3.49	17.11%	\$3.39	13.76%	\$3.79	27.18%
Dressings-Marzetti 15 oz	Each	\$2.88	\$3.49	21.18%	\$3.69	28.13%	\$3.99	38.54%	\$3.79	31.60%
Eggplant	Lb	\$1.48	\$1.69	14.19%	\$1.49	0.68%	\$1.49	0.68%	\$0.99	-33.11%
Garlic	Lb	\$2.17	\$1.69	-22.12%	\$2.99	37.79%	\$2.59	19.35%	\$2.49	14.75%
Grapefruit - Red	Each	\$1.26	\$1.29	2.38%	\$1.29	2.38%	\$0.88	-30.16%	\$0.99	-21.43%
Grapes - Green Seedless	Lb	\$0.93	\$1.99	113.98%	\$1.99	113.98%	\$1.99	113.98%	\$1.99	113.98%
Grapes - Red Seedless	Lb	\$0.93	\$1.99	113.98%	\$1.99	113.98%	\$2.38	155.91%	\$1.99	113.98%
Honeydew - Whole	Each	\$3.50	\$3.49	-0.29%	\$3.00	-14.29%	\$2.99	-14.57%	\$2.99	-14.57%
Jar Fruit	Each	\$2.98	\$3.89	30.54%	\$3.99	33.89%	\$3.99	33.89%	\$3.99	33.89%
Jicama	Lb	\$1.16	\$1.69	45.69%	\$1.89	62.93%	\$1.29	11.21%	\$1.49	28.45%
Kale	Bunch	\$1.28	\$1.29	0.78%	\$0.99	-22.66%	\$1.29	0.78%	\$1.49	16.41%
Kiwi	Each	\$0.33	\$0.50	50.76%	\$0.50	51.52%	\$0.33	0.00%	\$0.33	0.00%
Lemons	Each	\$0.58	\$0.49	-15.52%	\$0.79	36.21%	\$0.79	36.21%	\$0.59	1.72%
Lettuce - Green Leaf	Each	\$1.38	\$1.00	-27.54%	\$1.29	-6.52%	\$1.89	36.96%	\$1.29	-6.52%
Lettuce - Iceberg	Each	\$1.28	\$0.92	-28.13%	\$1.39	8.59%	\$1.79	39.84%	\$1.29	0.78%
Lettuce - Red Leaf	Each	\$1.44	\$1.00	-30.56%	\$1.29	-10.42%	\$1.89	31.25%	\$1.29	-10.42%
Lettuce - Romaine	Each	\$1.48	\$1.00	-32.43%	\$1.29	-12.84%	\$1.99	34.46%	\$1.29	-12.84%
Limes	Each	\$0.36	\$0.49	36.11%	\$0.33	-8.33%	\$0.79	119.44%	\$0.50	38.89%
Mushrooms - White Bulk	Lb	\$2.54	\$3.39	33.46%	\$3.99	57.09%	\$3.99	57.09%	\$3.99	57.09%
Mushrooms - White 8 oz	Each	\$1.64	\$2.19	33.54%	\$1.89	15.24%	\$1.99	21.34%	\$1.69	3.05%
Nectarines - Regular	Lb	\$0.88	\$1.99	126.14%	\$1.99	126.14%	\$1.69	92.05%	\$1.99	126.14%
Onions - Red Bulk	Lb	\$1.16	\$1.09	-6.03%	\$1.29	11.21%	\$1.69	45.69%	\$0.99	-14.66%
Oranges - Navel Bulk	Each	\$0.68	\$0.79	16.18%	\$1.29	89.71%	\$1.88	176.47%	\$1.29	89.71%
Peaches - Yellow	Lb	\$0.88	\$1.99	126.14%	\$1.99	126.14%	\$1.99	126.14%	\$1.99	126.14%
Peppers - Bell Green	Each	\$0.78	\$0.69	-11.54%	\$0.79	1.28%	\$0.99	26.92%	\$0.69	-11.54%
Pineapple	Each	\$3.97	\$3.99	0.50%	\$4.99	25.69%	\$2.99	-24.69%	\$4.99	25.69%
Potatoes - Red Bulk	Lb	\$0.98	\$0.99	1.02%	\$0.99	1.02%	\$0.99	1.02%	\$0.99	1.02%
Potatoes - Russet Bulk	Lb	\$0.68	\$0.89	30.88%	\$0.79	16.18%	\$0.99	45.59%	\$0.69	1.47%
Potatoes - Russet 5#	Each	\$1.98	\$2.50	26.26%	\$2.99	51.01%	\$1.28	-35.35%	\$2.49	25.76%
Radishes	Bunch	\$0.98	\$1.29	31.63%	\$0.99	1.02%	\$0.89	-9.18%	\$0.99	1.02%
Salad - Caesar 7-8 oz	Each	\$2.98	\$4.29	43.96%	\$2.99	0.34%	\$2.99	0.34%	\$2.99	0.34%
Salad - Garden 1# Bag	Each	\$1.68	\$1.69	0.60%	\$2.29	36.31%	\$1.59	-5.36%	\$1.79	6.55%
Salad - Spring 5-7 oz	Each	\$2.50	\$2.99	19.60%	\$2.99	19.60%	\$2.99	19.60%	\$2.99	19.60%
Strawberries Clamshell	Each	\$1.78	\$3.99	124.16%	\$3.99	124.16%	\$3.89	118.54%	\$3.49	96.07%
Tomatoes - Cherry / Vine	12 oz	\$2.86	\$3.49	22.03%	\$3.49	22.03%	\$3.89	36.01%	\$2.99	4.55%
Tomatoes - Grape Pint	Each	\$2.58	\$2.99	15.89%	\$2.50	-3.10%	\$2.95	14.34%	\$2.99	15.89%
Tomatoes - Hothouse	Lb	\$1.98	\$1.99	0.51%	\$1.99	0.51%	\$2.88	45.45%	\$1.49	-24.75%
Tomatoes - On the Vine	Lb	\$2.18	\$2.89	32.57%	\$2.29	5.05%	\$2.99	37.16%	\$1.99	-8.72%
Tomatoes - Roma/Plum	Lb	\$1.00	\$0.99	-1.00%	\$1.69	69.00%	\$2.49	149.00%	\$1.19	19.00%
Watermelon Reg Seedless	Each	\$3.78	\$4.99	32.01%	\$5.99	58.47%	\$4.99	32.01%	\$4.99	32.01%
Yams	Lb	\$0.94	\$1.19	26.60%	\$1.00	6.38%	\$0.99	5.32%	\$0.99	5.32%
Market Basket Total		\$95.36	\$117.81	23.54%	\$118.93	24.72%	\$119.18	24.98%	\$110.69	16.08%

Source: U.S. Marketing Services

Wal-Mart Supercenter vs 4 Chains
Price Comparison — Kansas City, MO
Prices Available To Card Holders

Produce Item	How Sold	Wal-Mart Supercenter	Dillon	% Over Wal-Mart	Hen House	% Over Wal-Mart	Hy-Vee	% Over Wal-Mart	Price Chopper	% Over Wal-Mart
Apples - Granny Smith	Lb	\$1.38	\$1.39	0.72%	\$1.99	44.20%	\$1.79	29.71%	\$1.49	7.97%
Apples - Red Delicious	Lb	\$1.38	\$1.39	0.72%	\$1.69	22.46%	\$1.58	14.49%	\$1.49	7.97%
Avocados - Hass	Each	\$1.77	\$1.49	-15.82%	\$2.00	12.99%	\$0.99	-44.07%	\$1.99	12.43%
Bananas - Yellow	Lb	\$0.52	\$0.49	-5.77%	\$0.39	-25.00%	\$0.57	9.62%	\$0.59	13.46%
Beans, Green	Lb	\$1.58	\$1.69	6.96%	\$0.79	-50.00%	\$1.49	-5.70%	\$1.69	6.96%
Broccoli	Bunch	\$2.18	\$2.49	14.22%	\$1.99	-8.72%	\$1.28	-41.28%	\$1.49	-31.65%
Cantaloupe - Whole	Each	\$0.98	\$2.50	155.10%	\$2.50	155.10%	\$1.67	70.41%	\$2.50	155.10%
Cauliflower	Each	\$2.48	\$2.69	8.47%	\$2.00	-19.35%	\$1.88	-24.19%	\$1.99	-19.76%
Coleslaw - 1# Bag	Each	\$1.44	\$0.79	-45.14%	\$1.69	17.36%	\$1.49	3.47%	\$1.39	-3.47%
Dips - Marzetti (15.5 oz)	Each	\$2.98	\$3.00	0.67%	\$2.50	-16.11%	\$3.39	13.76%	\$3.79	27.18%
Dressings-Marzetti (15 oz)	Each	\$2.88	\$3.49	21.18%	\$2.50	-13.19%	\$3.99	38.54%	\$3.79	31.60%
Grapes - Green Seedless	Lb	\$0.93	\$1.79	92.47%	\$1.18	26.88%	\$1.99	113.98%	\$1.99	113.98%
Grapes - Red Seedless	Lb	\$0.93	\$0.99	6.45%	\$1.18	26.88%	\$2.38	155.91%	\$1.99	113.98%
Nectarines - Regular	Lb	\$0.88	\$1.79	103.41%	\$1.49	69.32%	\$1.38	56.82%	\$1.49	69.32%
Onions - Red Bulk	Lb	\$1.16	\$1.09	-6.03%	\$0.79	-31.90%	\$1.69	45.69%	\$0.99	-14.66%
Oranges - Navel Bulk	Each	\$0.68	\$0.79	16.18%	\$1.29	89.71%	\$1.48	117.65%	\$1.29	89.71%
Peaches - Yellow	Lb	\$0.88	\$1.79	103.41%	\$1.49	69.32%	\$1.48	68.18%	\$1.99	126.14%
Peppers - Bell Green	Each	\$0.78	\$0.69	-11.54%	\$0.33	-57.69%	\$0.67	-14.10%	\$0.69	-11.54%
Pineapple	Each	\$3.97	\$3.99	0.50%	\$4.99	25.69%	\$2.99	-24.69%	\$3.99	0.50%
Salad - Caesar 7-8 oz Bag	Each	\$2.98	\$3.99	33.89%	\$2.99	0.34%	\$2.99	0.34%	\$2.99	0.34%
Salad - Spring 5-7 oz Bag	Each	\$2.50	\$2.50	0.00%	\$2.99	19.60%	\$1.50	-40.00%	\$2.99	19.60%
Strawberries 1# Clamshell	Each	\$1.78	\$3.49	96.07%	\$2.00	12.36%	\$3.89	118.54%	\$3.49	96.07%
Tomatoes - Cherry Vine	12 oz	\$2.86	\$3.49	22.03%	\$3.49	22.03%	\$2.50	-12.59%	\$2.50	-12.59%
Tomatoes - Grape Pint	Each	\$2.58	\$2.99	15.89%	\$2.50	-3.10%	\$2.50	-3.10%	\$1.99	-22.87%
Tomatoes - On the Vine	Lb	\$2.18	\$1.99	-8.72%	\$2.29	5.05%	\$2.99	37.16%	\$1.99	-8.72%
Watermelon Reg Seedless	Each	\$3.78	\$3.99	5.56%	\$5.99	58.47%	\$4.99	32.01%	\$4.99	32.01%
Market Basket Total		\$95.36	\$109.54	19.78%	\$109.49	14.82%	\$111.97	17.42%	\$107.70	12.94%

Source: U.S. Marketing Services

cent over Wal-Mart on produce pricing.

Seizing a more aggressive pricing position vis-à-vis these three chains, but still coming up far short compared to Wal-Mart, Price Chopper comes in at 16.08 percent over Wal-Mart on our produce market basket.

You can forget about these premiums having anything to do with the quality of the produce, as the price differentials are similar on pure parity products.

So whereas Wal-Mart sold a 15-ounce Marzetti salad dressing for \$2.88, the same item at Dillon was priced at \$3.49, a 21.18 percent difference. Hen House sold the same item for \$3.69, a 28.13 percent difference; Hy-Vee was \$3.99, or 38.54 percent, over Wal-Mart and Price Chopper was \$3.79, or 31.60 percent, over Wal-Mart.

ABANDONED STRATEGY

At one point early in this series, we hypothesized that retailers unable or unwilling to compete with Wal-Mart on price would adopt a strategy by which they would price aggressively on parity products and try and make margin on unbranded produce items, which a chain could argue were of better quality.

The idea made sense. By matching

Wal-Mart's prices on parity items, chains could avoid obvious comparisons that could establish or confirm in the mind of individual consumers that Wal-Mart not only sold cheaper stuff but also was actually less expensive on quality items.

Yet such a strategy never took hold. Retailers apparently were relying on these types of items as margin-enhancers and didn't worry about consumer psychology on price as compared to Wal-Mart.

In fact, in Kansas City, even when we did a separate market basket composed solely of the items that were sold under special card-holder prices at Dillon, Hen House, Hy-Vee and Price Chopper — a market basket highly disadvantageous to Wal-Mart — Wal-Mart still comes out as the market price winner by a big margin (see table above).

Even with its loyalty card pricing, Dillon is 19.78 percent over Wal-Mart on these select produce items, Hen House is 14.82 percent over Wal-Mart on produce prices; Hy-Vee 17.42 percent over Wal-Mart on produce prices; and Price Chopper is 12.94 percent over Wal-Mart on produce prices.

In some sense, all this points to is that in many cities in which Wal-Mart has a

presence, there is no longer real price competition between Wal-Mart and the supermarkets. Those who were vulnerable because all they had to offer were low prices have already gone out of business.

Instead, the remaining supermarkets offer something — atmosphere, location, service, assortment — something that allows them to compete for the customer for whom price is not sufficient bait to draw them to Wal-Mart.

Yet there is something else all this tells us. What if Wal-Mart can get it right? What if it can improve its retail execution to the point where the large base of consumers who don't like the store suddenly became neutral about it?

Then Wal-Mart's compelling price advantage could lead to another wave of supermarket closings as weak chains find their advantages insufficient to compensate for prices that are 25 percent above Wal-Mart's. **pb**

Editor's note: Market basket data compiled by Sonoma, CA-based U.S. Marketing Services.