

H-E-B Goes Beyond Products and Pricing to Connect With Customers

*(The following is an excerpt from the new book, *Extraordinary Experiences: What Great Retail and Restaurant Brands Do*, by Denise Lee Yohn.)*

Scott McClelland seems an unlikely candidate for his picture to appear under a "Why Is This Man Smiling?" headline. As spokesperson and president of the Houston food/drug division of Texas-based grocery store chain H-E-B, McClelland has plenty of reasons to be worried.

Supermarkets are getting squeezed from many directions. Walmart has been increasing its already dominant share of the U.S. grocery segment, opening stand-alone, full-line grocery stores called "Neighborhood Markets." It has also been improving its grocery offerings at its Supercenters by, for example, expanding its selection of organic foods. Warehouse club stores that include Costco are thriving; food sales at convenience stores are also on the rise.

Then there's the growth of online and mobile grocery shopping and delivery. Major players including Google, Amazon, and Walmart have expanded their same-day delivery services to new cities. Personal grocery shopping service Instacart grew by 15 to 20 percent week over week in 2014 while ride sharing company Uber has been piloting a 10-minute grocery delivery service.

If those pressures weren't bad enough, restaurants are also stealing more grocery store dollars these days. According to data from the U.S. Census Bureau, the gap between monthly grocery store sales and restaurant sales has been shrinking since 2010, with sales at restaurants exceeding those at grocery stores for the first time in December of 2014.

Yet, McClelland remains optimistic about H-E-B's future. He has confidently declared that the marketing innovations and products his company uses will continue to convince shoppers to pass up "four other stores" to shop at an H-E-B retail outlet. And his Houston division alone had plans to add 11 stores in 2015.

McClelland's confidence -- and H-E-B's competitive advantage -- stem from the brand's unique approach to customer experience. The products that line H-E-B shelves undergird these higher order strategies, but they don't drive the brand. Although this is quite unusual for a price-and-item business like grocery, H-E-B is doing what other great brands do -- Great Brands Avoid Selling Products. Instead, H-E-B seeks to form strong, emotional customer bonds that are the most effective drivers of sustained store traffic and true loyalty.

Seducing With Experience Beats Selling the Product

Shopping at H-E-B is a fully immersive experience. The multitude of food samples available throughout the stores is outdone only by the generous wine sampling stations. Longer sampling hours and a greater variety of wines offered for sampling led neuromarketing expert Roger Dooley to observe that H-E-B appeals to shoppers at a neurological level by triggering a release of dopamine in people's brains as they taste the alcohol. He went on to explain that while samples certainly induce people to buy the product, "they also create a halo effect that makes you feel good about, well, everything!"

Prominent displays of fresh fish on ice and full-service butcher cases serve as eye candy, as do the huge display cases devoted to products that include up to 500 varieties of yogurt. Mouth-watering aromas waft out of the bakery and rotisserie chicken areas.

Newer stores include a demonstration kitchen where chefs prepare and serve items such as sushi and guacamole to promote cooking methods and recipes using H-E-B products. Also found in a new Houston store are a sit-down

restaurant with a full-time chef, a spice-blending station for foodies, and a takeout barbecue booth.

All of these factors differentiate H-E-B by transforming grocery shopping from a monotonous, mundane activity focused on meeting needs into an exciting and inspiring experience filled with discovery and entertainment. Convenient location, price, and promotions may be the primary attributes consumers look for in a grocery brand, but these characteristics do little to engage them in truly memorable and meaningful ways. In the end, people are buying products from H-E-B, but they're deriving far more value from the brand than its competitors offer.

Strong Emotional Bonds Can't Be Copied

Not a day goes by when a flyer from a grocery store doesn't land in my mailbox or newspaper. I'm sure if I lived in Texas, H-E-B's collateral would be among them. Retailers must rely on tactics like these to bring shoppers to their stores. H-E-B is no exception.

In fact, H-E-B is up to approximately 25% (from 11% 10 years ago) and maintains around a 60 percent market share in San Antonio because it executes on many of these industry conventions and runs an excellent retail operation.

But H-E-B also seems to operate by a wholly different philosophy from most supermarkets. It designs and manages its customer experiences to delight and excite people, giving them a more compelling and sustainable reason to shop at H-E-B than low prices or house products that can be copied. It creates a strong and emotional bond with customers by leveraging an intimate knowledge of what they want and its unique capabilities to deliver on them. Plus, its wide scale charitable efforts demonstrate integrity and deep commitment to the people it serves. It's clear that H-E-B's priorities, like those of all great brands from Nike to Nordstrom, involve more than selling products.

Suzanne Wade, president of the company's San Antonio, Texas, food and drug retail division for H-E-B, explained it best: "You know the phrase 'My H-E-B?' We try to live into that."

Extraordinary Experiences: What Great Retail and Restaurant Brands Do profiles seven great retail and restaurant brands and shows how they earn customer love and loyalty by creatively designing and consistently delivering great retail customer experiences. Learn more at [Deniseleeyohn.com/extraordinary-experiences](https://deniseleeyohn.com/extraordinary-experiences).

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