USING WORD OF MOUTH DATA FROM SOCIAL MEDIA TO IDENTIFY ASYMMETRIC COMPETITION IN FOOD RETAILING

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Abstract

Competition in the food retail sector affects the entire food value chain. This competition is also reflected in customer behavior, with customers deciding where to shop and where not. It is assumed that competition is often asymmetrical, whereby one retailer may compete with another retailer but not vice versa. However, little is known about how symmetrical competition among German retailers currently is. We analyze 143 customer comments on social media to assess asymmetric competition in the sector. A content analysis shows that companies are frequently compared on the basis of their assortments, the price-performance ratio, quality and freshness as well as their appearance in social media. Asymmetries exist mainly in competition between supermarkets and discounters.

1   Introduction

German food retailing has been undergoing a strong process of concentration. The four largest retail chains, measured in terms of sales, now share over 85% of the market (BUNDESKARTELLAMT, 2018). One focus of competitive investigations is on so-called asymmetric competition (AMIT and SCHOEMAKER, 1993; CHEN, 1996; DESARBO et al., 2006), i.e. the extent to which companies are unevenly in competition with each other. Customers of a supermarket may see a nearby discounter as a shopping alternative; while the customers of the discounter may not consider the supermarket as an alternative for their food purchases. While the existing body of research suggests that asymmetric competition exists especially between store formats (CLEEREN et al., 2010; GIJSBRECHTS et al., 2008; GONZÁLEZ-BENITO et al., 2005), strategies such as the listing of branded products by discounters are a sign that the competition between formats has changed in recent times (CARDINALI and BELLINI, 2014; GERMAN RETAIL BLOG, 2012). On the basis of word of mouth, it can be examined which companies are perceived by customers as substitutes and which attributes are used to compare competitors (LEE and BRADLOW, 2011). In our study, we show how data from social media can be used to investigate asymmetric competition in the food retail sector (see also JAEGER and HÖHLER, 2020).

2   Method

LEE and BRADLOW (2011) as well as NETZER et al. (2012) use online customer reviews to analyze and visualize market structures. NETZER et al. (2012) calculate the so-called lift as a normalized measure of the joint appearance of two brands. RECKMANN (2017) provides a formula for the normalized degree of relationship between two brands in the case of asymmetric competition. In our case, however, sometimes several brands serve as a reference (e.g. two discounters). We therefore modify the lift measure by calculating two values. One value for the respective retailer as reference, one for the retailer as external company.

For our analysis, data on the top four German food retailers, Edeka, Rewe, Lidl (Schwarz group), and Aldi, were collected from Facebook between April 2019 and August 2019. Comments were noted in a table stating the reference and the external company as well as the source. The reference company was defined as the company from which the customer states that she is

buying or which she rates positively. The inclusion criterion for the comments was that retailers were compared based on criteria (e.g. price, quality). 143 relevant comments remained. When viewing the comments, it becomes clear that consumers' assessment of retailers is usually based on four categories: Assortment and market-specific features, price-performance ratio, quality and freshness as well as appearance on Facebook.

3 Results and discussion

The results confirm the existence of asymmetric competition in the German food retail sector. The comparison of the lift values indicates that especially comparisons between discounters and supermarkets are asymmetric. The number and asymmetry of comparisons could be an expression of the activity of the four retailers on social media. However, it could also reflect the success of advertising campaigns in which comparisons between the retailers were specifically promoted. The results have implications for managers. The analysis reveals the retailers' position compared to their competitors, and thus entry points for increasing their market shares. This knowledge about their own position can help managers to assess the success of advertising campaigns as well as the agreement between customer perception and self-perception (LEE and BRADLOW, 2011).

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