

Schnucks

White Paper

Schnucks denial of Memphis-area stores being sold to Kroger

Issue Statement:

Prior to Schnucks official announcement that many of the Memphis-area stores would be sold to Kroger, a spokes person for the company, Lori Willis, denied any possibility of a deal being in the works with Kroger. Days later Schnucks made an official announcement that indeed nine of their Memphis-area stores were being sold to Kroger. This has caused Schnucks, a company that had previously maintain a respectable reputations within its community, to appear less trustworthy and unorganized.

The issue for Schnucks: How can this company regain trust and confidence within the community and also make sure this does not happen again

Background:

Associates of Schnucks Markets Inc. have been serving customers a unique combination of quality food, variety and value for nearly seven decades. Founded in north St. Louis in 1939, the family-owned grocery company has grown to include more than 100 stores in seven states: Missouri, Illinois, Indiana, Wisconsin, Iowa, Tennessee and Mississippi.

Schnucks also became known for the friendliness of our associates. The friendly atmosphere of the stores so delighted customers that they frequently wrote enthusiastic letters and shared genuine compliments about associates with Schnucks managers. In 1961, Schnucks adopted the slogan “The Friendliest Stores in Town” to highlight what our customers felt was our primary strength.

By the late 1960s, Schnucks was operating 10 modern, state-of-the-art stores in the St. Louis area. Schnucks was the first major food retailer in the St. Louis area to drop popular trading stamps and replace them with “The Price Revolution” campaign that substituted lower prices for trading stamps. A new symbol accompanied this theme – our friendly saluting soldier – which is still one of the most recognized corporate logos in St. Louis.

In 2002, Schnucks expanded their reach with the first Logli store in Janesville, Wis. Schnucks had another growth spurt in 2002. They introduced the Schnucks name in the Mid-South adding a new market and region to our growing family. Schnucks bought 12 Seessel’s stores in Tennessee and Mississippi from Albertsons. For a fresh start in Memphis and the surrounding area, the company changed their name to Schnucks.

With the past as a predictor of the future, Schnucks can count on ongoing growth and change at Schnucks. One thing will never change – the recognition that Schnucks’ customers are their reason for being. Every position in the company exists to help us understand, serve and satisfy their customers. (Schnucks.com, Scott C. Schnucks Chairman and CEO)

Consumer Impact:

One of the main problems with this situation is that a panic may ensue within the company. Workers have been given confidence that their jobs are secure, only to find out that major changes will be made and there is a possibility for job losses. The public also feel as though that have been lied to and will not want to continue business with a company that lies to their consumers. Lastly, this damages relationships with the media. Local newspapers that posted news stories stating that the rumors about Schnucks selling a portion of their stores was false, now have to make retraction statement and newspapers that did not post about the story at all have lost out on an opportunity to have groundbreaking news. News reporters are not going to want to publish stories from companies that have been known to lie.

Strategies:

1. Continue on and ignore the situations, as to not bring anymore media attention and allow the situation to disappear.
2. Issue and statement of apology and explain the situation to the public more thoroughly.
3. Issue a statement of apology and let Lori Willis go.

Strategy 1-

Schnucks should avoid as much negative publicity as possible. Often stories like these that are local can avoid national attention. If anything, maybe issue a statement to the workers and personally apologize to the newspaper that was affected, but avoid as much media coverage as possible.

In the possible case that this becomes national news, it looks very bad for a company not to address a situation like this. Not issuing a statement might make the company look uncaring, secretive and selfish.

Strategy 2-

A statement to the public shows that the company is aware of their problem and Schnucks can explain what is actually going on. This makes the public also feel involved and not like there are secrets being kept.

There will still be people that are not completely satisfied with only a statement. There is also the possibility that if the company makes a big apology that this may become national news and the story might reflect badly on the company.

Strategy 3-

This will show a message that the company is serious about making sure they only keep qualified people on staff. It also shows the public that Schnucks does not want anything like this to happen again and that they are serious about keeping the public's trust.

Some of the public may find this decision to be too harsh and not be pleased. This also leaves the problem of finding a new spokes person and it vital to have someone at all times able to speak on behalf of the company.

Policy Recommendation:

Strategy two is recommended.

Rationale:

The public understands that mistakes happen but it is best to apologize not matter how much media attention the company will receive. It is better to be getting media attention for apologizing after doing something wrong, instead of getting media attention for ignoring their problems. Schnucks main goal is to be known as the "friendly stores in town" and to maintain this company must be known as being trustworthy and honest.