

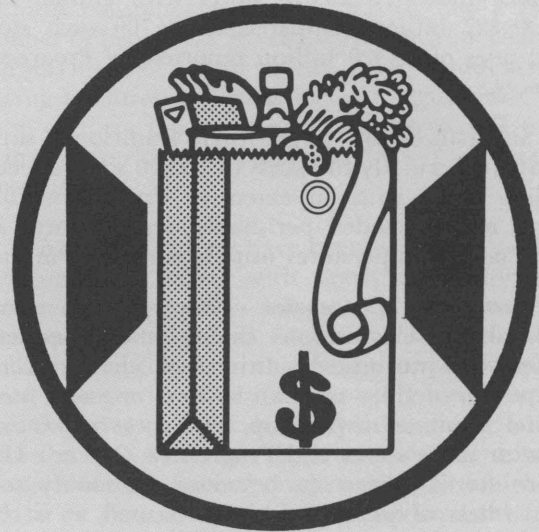
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YOUR GUIDE TO FOOD STORES

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Have you ever wondered how the present food store came to be? How do chains differ from independents? What is a supermarket? What does the food store offer in the way of products and services? What are the central issues in the "consumer movement?" What can you do to take better advantage of the products and services offered? If so, this fact sheet is for you.

Part of the U.S. Economy

The retail food industry has played a vital and integral role in the economic development of the United States. Consumer interests have had tremendous impact since 1773 with the dumping of East India Tea Company's tea into the Boston Harbor. Many changes have occurred ranging from credit order delivery systems to cash-and-carry operations.

"Cheapy" markets, the forerunners of today's supermarkets, were formed to do large volumes of business with low-profit margins during the 1930 depression. Most of the growth in the retail food industry has occurred since World War II. The changing nature of our total economy has influenced and been influenced by supermarkets. Consumers have required new products and services to

meet the demands of their changing lifestyles and standards of living.

Food Store Classifications

You can't tell the players without a score card. It is important to understand how food stores are classified. They may be classified by size category, ownership and product-service type.

Size Categories usually reflect sales levels, but also may involve physical dimensions. All fall under the broad term of grocery and combination stores which carry a variety of canned, frozen and dried groceries, fresh foods and other perishables for home consumption. In 1974, *Progressive Grocer's Annual Report* reported 198,130 stores with total sales of \$130,835 billion plus another \$7,925 billion from specialty stores for a grand total of \$138,760 billion. Food stores were divided into the following size categories according to *Progressive Grocer*:

Supermarkets with annual sales of \$1,000,000 or more accounted for 15.9 percent of the stores and 71.8 percent of sales in 1974.

Superettes with annual sales of \$500,000 to \$1,000,000 accounted for 5.8 percent of the stores and 7.4 percent of sales in 1974.

Small stores with annual sales of less than \$500,000 accounted for 66.9 percent of stores and 16.7 percent of sales.

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Convenience stores were defined by *Progressive Grocer* as small compact stores doing up to \$250,000 in sales per year. Under this definition, they accounted for 11.4 percent of stores and 4.1 percent of sales in 1974. *Convenience Store News Annual Report* indicated 26,870 stores with annual sales of \$5,827 billion compared to 22,700 such stores and sales of \$5,320 billion reported by *Progressive Grocer*.

Superstores are larger than traditional supermarkets, normally in excess of 30,000 square feet of selling space with an extensive line of non-food items and expanded perishable departments. Annual sales of superstores usually exceed \$5 million.

Ownership Categories. Grocery store companies can be classified as chains or independents. There are various definitions of chains. *Chain Store Age* defines a chain as two or more stores under common ownership, but *Supermarketing's* four or more stores and *Progressive Grocer's* 11 or more stores appear to be more commonly used. Regardless of which definition is used, it is clear that the independent grocer is still an important force in grocery store competition (Tables 1 and 2).

Table 1. Number of stores and sales by ownership, United States 1974*

	Chain	Convenience	Independent
Number of stores	12.2%	11.5%	76.3%
Sales	46.8%	4.1%	49.1%

**Progressive Grocer*, "42nd Annual Report of the Grocer Industry," Vol. 54, No. 4, April 1975

Table 2. Number of stores and sales by ownership, United States, 1974*

	Chain	Independent
Number of stores	17.6%	82.4%
Sales	59.5%	40.5%

**Supermarketing*, "27th Annual Consumer Expenditures Study," Vol. 29, No. 9, September 1974

Product-Service Mix stores offer different combinations of products and services to meet consumers' needs. Precise definitions for some of these stores are not available and some stores represent a combination of the types presented here. The wide variety exemplifies how retailers compete for the consumers' dollars.

Warehouse store is a relatively new concept originating in Europe. The warehouse store usually displays merchandise in bulk displays and sales are

in case or half-case quantities only. Frequently, the customers select items from the displays and price mark it themselves for verification at a centralized checkout. Warehouse stores are high-volume, low-service stores that appeal to the price conscious consumer.

Mini-market, a smaller version of the traditional convenience store, offers a very limited line of products and usually is in conjunction with a gas outlet.

Farmers' markets range from small roadside stands selling products on a seasonal basis to large units that may rival traditional supermarkets. They may sell their own production, but usually add to that production through purchases from normal sources such as produce terminals and warehouses.

Specialty stores may take any number of possible forms, including health food stores, specialty bakeries, meats stores or produce specialty stores. These are usually small stores that cater to a very limited clientele.

How Stores Compete

The retail food store represents a complex mix of products and services that the retailer offers in hopes of attracting customers. A typical supermarket, for example, offers 8,000 to 10,000 different items. These items usually are presented in departmental categories such as dry groceries, fresh produce, fresh meats, dairy foods (including refrigerated products and eggs), frozen foods and non-food items. Some stores also have delicatessen services, on-premise bakeries or other fast-food services.

The average shopper spends 28 percent of her food dollar on nonfood items. This percentage increases as food stores continue to add more non-food items to their product mix. This trend is particularly evident in family centers and one-stop shopping centers.

Services may become more important than products as stores try to compete. Services offered by supermarkets include the following.

- parking facilities
- credit and use of credit cards
- check-cashing facilities
- carry-out services
- music during shopping
- shopping carts
- trading stamps
- helpful personnel
- home delivery
- post office bases

- money orders
- utility bills payment centers
- convenient store hours
- other promotional devices
- use of food stamps

Trading stamps. Although the trend is away from trading stamps, many companies still offer them.

Stamp companies sell stamps to participating stores for \$2 to \$3 per thousand stamps. Stores usually give one stamp for every 10 cents spent. The shopper then redeems the stamp books for merchandise or cash at a value of \$2 to \$3 per book.

If all stores gave stamps of equal value, their competitive effects would be eliminated and stamps would merely represent a cost of doing business. The consumer would base her store selection decision on other price and quality considerations. When stamps are not offered by all stores, however, they may represent a competitive advantage that does not increase food prices.

Check cashing and providing money orders can be an expense to the food store because of the additional time required. Bad check losses (which cost businessmen \$900 million in 1971) are a direct cost of doing business.

Advertising and promotion. Informative, factual advertising and promotion within the store provide consumers with information they may not receive from other media. Most food stores provide this service, and food ads generally are reliable. Consumers should compare prices and labels.

Personnel. Relationships between seller and buyer are important to some food shoppers. The seller's honesty, his willingness to stand behind his goods, and the efficiency and courtesy of his employees may greatly influence a shopper's choice. Store personnel are often valuable sources of information on how to buy and prepare foods. Some large stores even provide consumer specialists for this purpose.

Food stamps are available to families with limited incomes to increase their food purchasing power in an effort to provide more adequate diets. Usually, food stamp recipients pay a portion of the value of stamps received. Major concerns about the food stamp program include eligibility requirements, operational procedures and purchasing power of the stamps. This food assistance program remains a key issue in Congress every year.

Current Consumer Issues

Interest in consumerism has increased in recent years. Consumerism includes drawing the consumer's attention to problems confronting him and indicating procedures to change the situation. No uniform consumer movement exists, but a large number of people act as vehicles to institute changes by individual or group action. Many issues are receiving attention by consumers and legislators. Because of their importance to our everyday lives, it seems appropriate to summarize today's major consumer issues.

Prices. Food prices have been escalating rapidly in recent years, along with nearly everything else. Changes in food prices can be explained in terms of supply and demand conditions for individual items. In the short run, changes in supply or anticipated changes in supply are probably more responsible for price changes than any other single factor. Additionally, there has been continuous upward pressure on the cost of marketing food, which refers to all the costs involved in moving food from producers to consumers. Three items account for approximately 71 percent of the total cost for marketing foods—labor, transportation and packaging. Economic pressures will continue to increase the cost of marketing within the next few years, but, hopefully, the rate of increase will slow down.

It should be emphasized that high prices and high profits are not necessarily the same thing. When inflation has been accounted for, retailers have not really increased their sales during the past few years, but their cost have increased at a rate more rapid than inflation.

Quality grades. Consumers are demanding clearly identified, meaningful quality grades. Difficulty in making intelligent choices on food items often arises because grade names are not descriptive or consistent. For example, foods may be graded by numbers, letters or descriptions. Because of this ambiguity, attention has been directed to standardizing descriptive terms for grades used in food items. Such standards would provide consumers with valuable information.

Open-code dating refers to the process of having a code on the product telling when the product was placed on the shelf, when it should be removed from the self or the expiration date beyond which the product should not be used. One of the problems with open-code dating is deciding which code type to use. Another problem is determining the most meaningful way of communicating the code. Perishable processed items, including milk, meats, dairy products and eggs, are currently of major concern.

Unit pricing refers to reporting the price per ounce, price per pound or some other unit of measure. One of the difficulties with unit pricing is that the price per ounce or per pound may not be the relevant information for consumer choices. The price per serving is generally of most importance.

Nutrition labeling is required on all foods to which nutrients have been added or those making a nutritional claim. Nutrition labeling presents the consumer a list and amount of major nutrients found in a serving of that particular food. Further, some labels give specific information on the kind and amount of fat and amounts of cholesterol and sodium. This is helpful to persons on special diets. Major negative arguments are based on the fact that most people do not know what nutrients are needed in what amounts. However, educational efforts could result in consumers learning to make wise decisions for nutritious food.

Additives and food safety. Various food additives have been used as preservatives and stabilizers to achieve quality products. Some consumer activists have advocated removing all additives from food products.

Food additives are tested by the Food and Drug Administration (FDA). Based upon FDA tests, allowable levels are established or the additives are disapproved for use. Further research and tests sometimes result in alterations or reversals of earlier decisions. If all additives were removed, the food costs would be expected to increase.

Standardization of container size to avoid misleading packages is also a relevant issue. The food industry recognizes many advantages in handling standardized products and has been working with federal agencies to develop standards for packages and transportation containers. Many of these changes would come with the possible conversion to the metric system.

Pollution and food safety. The causes and effects of pollution have received much attention. Because of the emotional nature of the issue, people often have overreacted. Products to reduce pollution and change retail business operations can be expected in the future. Many firms are now compacting and recycling products, and it often pays to do so.

Meat labeling. A voluntary standardized meat labeling program has been adopted by many grocers. These labels give consumers information on the kind of meat, location on the carcass, standard retail cut name and recommended method of cooking. Labels on ground meat are stated in terms of percentage of lean. These standardized labels enable consumers to know exactly the cut of meat she/he is buying, regardless of the type of store or geographic location.

Universal product code. This computer symbol found on food packages is a rectangle of thick and thin bars and spaces. With the help of the Universal Product Code, the food industry plans to computerize the supermarket checkout process. This code gives information on the product's price, package size, manufacturer and the nature of its contents. Advantages include speedy and accurate checkout, detailed register tape receipts and improved store inventory control. Major disadvantages include lack of legible price information on packages and expense of operation.

Metric system. Metrication is coming to the kitchen. As the United States slowly converts to this system, recipes will be stated in both measures—traditional and metric. New measuring devices will be available and weighing of food ingredients will become more common. This will require a massive educational campaign to help consumers learn to use the new measures. In addition, this will require the food industry and kitchen utensil and equipment manufacturers to adjust their measures accordingly.

Other publications available from your county Extension agent:

- L-1171 *Unit Pricing and Open Dating*
- L-1245 *We Want You to Know about Nutrition Labels on Food*
- L-1318 *What is Uniform Meat Labeling*
- L-1078 *Standards and Grades Can Help You Shop*
- L-1079 *Food Packaging and Labeling Can Help You Shop*
- L-1080 *Shopping for Convenience Foods*
- L-1081 *Planning Your Family Meals*
- L-1082 *Your Food Budget*
- L-1083 *Plan for Food Shopping*

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