MARKET STRATEGY

by
S. E. Trieb
Extension Marketing Department
University of Georgia

The two most perplexing problems facing independent supermarkets are (1) succession of ownership and management and (2) market strategy.

The Wicksville IGA typifies both of these problems. Owner, Kenneth Kerr, fortunately has two sons that are being groomed to assume leadership of the family-owned business. The question he asked the Marketing Department of the Georgia Cooperative Extension Service was, "What market strategy should I consider?" He related that his dollar sales had stagnated at approximately $30,000 per week, that the characteristics of his downtown neighborhood location had changed, and two chains had built new high volume stores in the suburbs of Wicksville.

From our pre-study conference, we selected two research questions:

1. What is the present image of the Wicksville IGA by customers and non-customers?

2. What market strategy and alternative location strategy should be considered?

The Situation

Mr. Wicks[1], a former chain store manager, founded the Wicksville IGA in 1958. For the first 10 years of operation, volume increased and the store enjoyed a reputation of the quality supermarket in the town. Customer mix was 50 percent white middle income, 30 percent white high income, and 20 percent black middle and low income. Since 1968, five new subdivisions have been built on the perimeter of Wicksville. Population, now 18,000, has increased by 20 percent. The customer mix has changed to 60 percent middle and high income white and 40 percent middle and low income black. Most of the white customers are older customers who have shopped with Wicks for 20 years and although living in the suburbs, they drive back to his store to shop. About 50 percent of the black customers live within six blocks of the store. However, Wicks has a very strong appeal to blacks from throughout the county and they drive in to shop with him.

Methodology

A customer spotting study was conducted by sampling 50 percent of Wicks customers and recording location on city and county map.

A store profile questionnaire was mailed to a twenty-seven percent sample of the total county population and generated a sixty-four percent response.

The questionnaire format was drawn from previous work by Leed[2], Watkins[3] and Owensby-Vastine[4].

Summary of Store Profile Questionnaire

Trade Area

The customer spotting study demonstrated that a high proportion of the customers live within a six block, black area of Wicksville[1]. The estimated trade area also includes higher income sections of the city and county, including five subdivisions.

Sales and Share of Market

With 18,000 city population and 34,000 county population (1978 est.), there is a total of $250,560 food store business per week for city customers and a total of $473,280 per week for total county customers.

IGA sales per week (during the study) were $32,268 or $8.91 per customer transaction. This lower rate of sales per customer may be explained by the higher percentage of black customers shopping the IGA store, and multiple transactions per week for the same customers. The share of market is 7 percent of the county food business and 12.8 percent of the city food business. This is consistent with the survey where 10 percent of the sample designated the IGA as "the store where they buy most of their groceries". "Fourteen percent buy most of their meat and five percent most of their fruits and vegetables."

Population Trends

The survey of buying power predicts a slight decrease in county population--1976 to 1981 from 32,900 to 31,200 (a short term 5.2 percent decrease). The Division of Research--University of Georgia predicts a county population increase to 42,200 by the year 2000 (a long term 28 percent increase).

Customer Profile

The IGA customer is older: (55 percent in the 46 to 64 year age group). Only six percent under 30 years of age and 18 percent 30 to 45 years of age). The nearest competitor has 33 percent in the 46 to 64 year age group, 14 percent under 30 years, and 26 percent 30 to 45 years old. IGA 24 percent under 45 and 76 percent over 45. Local competitor 40 percent under 45 and 60 percent over 45.

It appears that the IGA has maintained the older "always shop here" customers and local black customers.

Customers buy 10 percent of groceries, 14 percent of meat, five percent of produce and seven percent of bakery items at the IGA.

Credit cards are not important for 99 percent of the sample.

Price, courtesy, cleanliness and quality were the four factors in store selection. These were listed as first choice--23 to 10 percent respectively. Location (nearness) was listed first by only 6 percent of the sample.

The IGA was selected as the one best store by 10 percent of total sample and 13 percent of primary market sample. The nearest competitor was designated as the one best store by 31 and 32 percent of the sample respectively.

Comparative Ratings by Customers and Noncustomers

There was little difference in the rating by primary trade area customers and total survey customers. IGA customers are more satisfied with "their" store.

		Percent Total Sample[5] IGA	Percent IGA Customers[6] IGA
High Quality	Meat	35	52
High Quality	Produce	22	11
High Prices	Meat	38	33
Low Prices	Meat	12	6
High Prices	Produce	49	18
Low Prices	Produce	5	6
High Prices	Grocery	50	28
Low Prices	Grocery	8	6
Best Weekly Specials		11	18
Poor Weekly Specials		16	18
Store Appearance & Operations			
Best Courtesy		37	95
Poor Courtesy		14	0
High Cleanliness		31	32
Low Cleanliness		19	26
Best Check Out		24	68
Poor Check Out		15	0
Coupons are Important		23	35
Dislike Coupons		17	12
Stamps are Important		19	0
Dislike Stamps		20	21
Best Newspaper Ad		17	19
Poor Newspaper Ad		9	6
Store Location			
Easy to Get to		49	83
Hard to Get to		17	6

Strategy Alternatives and Decisions

Wicks image is: mid point on meat quality, low on meat prices, low on produce quality, high on produce prices and slightly higher on grocery prices.

High average on courtesy and friendliness and low on store cleanliness.

On location: 83 percent of his customers indicated that the store was easy to get to and 49 percent of the noncustomers said it was easy to get to.

Strengths

Meat
Second Store
Courtesy
No Stamps

Weaknesses

Produce
Bakery Deli
Age of Customers
Variety
Weekly Specials
Courtesy
Store Cleanliness
No Stamps

Opportunities

Flowers
Automotive Parts
New Floor
Other Promotions
Advertising Program

Alternatives

1. Immediate improvements in store cleanliness, produce and front-end operations.

2. Face lift--new floor, paint, signing and shelving present location at a cost of $70,000.

3. Remodel present location at a cost of $300,000 including purchase of present building.

4. Continue to operate present store as is and build a new store in suburb shopping center. Rent factor would increase from $750 to $3,500 per month. Estimated volume would increase to $100,000 weekly.

5. Move to vacant chain store location four blocks from present store and removel at cost of $100,000 rent factor of $2,000.

Footnotes

[1]The city, county and owner's name are coded to maintain confidentiality.

[2]Dr. Ted Leed, Massachusetts Cooperative Extension Service, Customer Analysis, 1978.

[3]Ed Watkins, Ohio State University Cooperative Extension Service, Selected Food Store Customers in the Hudson-Stow-Silver Lake Area, 1977.

[4]Dr. Ray Owensby and Dr. Bill Vastine, Texas Agricultural Extension Service, Image Analysis and Extension Service, 1977.

[5]Total Sample of Respondents

[6]Those Respondents that indicated the IGA as "Their Primary Store".

PLEASE RATE THE FOOD STORES WHERE YOU SHOP

(Circle the rating that fits your impression of each store)

Example: High Average Low

	WD	BS	IGA	S. M.	C.P.
1. Meat Quality	High Average Low	High Average Low	High Average Low	High Average Low	High Average Low
2. Meat Prices	High Average Low	High Average Low	High Average Low	High Average Low	High Average Low
3. Store Location	Easy to get to Average Hard to get to	Easy to get to Average Hard to get to	Easy to get to Average Hard to get to	Easy to get to Average Hard to get to	Easy to get to Average Hard to get to
4. Fresh Vegetable & Fruit Quality	High Average Low	High Average Low	High Average Low	High Average Low	High Average Low
5. Fresh Vegetable & Fruit Prices	High Average Low	High Average Low	High Average Low	High Average Low	High Average Low
6. Grocery Prices	High Average Low	High Average Low	High Average Low	High Average Low	High Average Low
7. I Can Always Find What I Want	High Average Low	High Average Low	High Average Low	High Average Low	High Average Low
8. Weekly Specials	Best Average Poor	Best Average Poor	Best Average Poor	Best Average Poor	Best Average Poor
9. Courtesy & Friendliness	Best Average Poor	Best Average Poor	Best Average Poor	Best Average Poor	Best Average Poor
10. Store Cleanliness	High Average Low	High Average Low	High Average Low	High Average Low	High Average Low
11. Checkout Service	Best Average Poor	Best Average Poor	Best Average Poor	Best Average Poor	Best Average Poor
12. Coupons	Important Not Important Dislike	Important Not Important Dislike	Important Not Important Dislike	Important Not Important Dislike	Important Not Important Dislike
13. Stamps	Important Not Important Dislike	Important Not Important Dislike	Important Not Important Dislike	Important Not Important Dislike	Important Not Important Dislike
14. Newspaper Ad	Best Average Poor	Best Average Poor	Best Average Poor	Best Average Poor	Best Average Poor

UNIVERSITY OF GEORGIA FOOD SHOPPING SURVEY

Note: Confidential -- Please do not sign the questionnaire

1. Where do you buy most of your groceries?

   STORE NAME ______________________________

2. What other food store do you most frequently shop in?

   STORE NAME ______________________________

3. Where do you buy most of your meats?

   STORE NAME ______________________________

4. Where do you buy most of your fresh fruits and vegetables?

   STORE NAME ______________________________

5. Where do you buy most of your bakery-delicatessen items?

   STORE NAME ______________________________

6. Where are you most likely to buy flowers, flowering plants, shrubs and garden seeds?

	Florist	Garden Store	Super Market	Other
Cut Flowers				
Flowering Plants & Potted Plants				
Shrubs				
Garden Seeds & Plants				

7. Do you use a credit card (Master Charge or Visa, for example) to purchase groceries?

   _____Regularly   _____Occasionally   _____ Never

8. What is the age of the person who does the food shopping? (Please check one.)

   UNDER 30 _____   30-45 _____   46-64 _____   OVER 65 _____

9. What is the total number of people in your household? _______

10. How many in your household are under 18 years old? _______

11. What considerations are the most important to you in selecting a food store? (List three reasons in order of importance).

    1. ______________________________
    2. ______________________________
    3. ______________________________

12. If a friend asked your advice on the one best store to buy food, regardless of location, what store would you suggest?

    Store Name _______________ How far is this store from your home? _______

13. What improvements or features would you like to see in supermarkets in your area?

    ____

    ____

    ____

    ____

    ____

14. Occupation of wage earner.

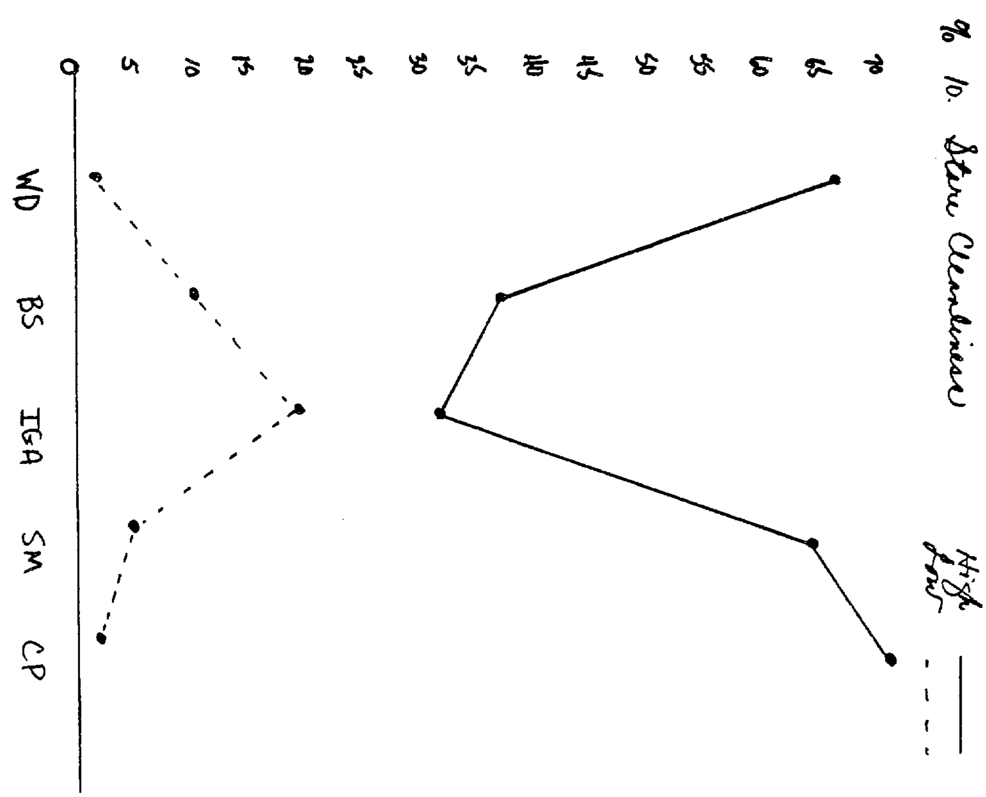
    ____

PLEASE RATE THE FOOD STORES WHERE YOU SHOP

(Circle the rating that fits your impression of each store)

Example: High (Average) Low

	WD	BS	IGA	S.M.	C.P.
1. Meat Quality	High 44% Average 44 Low 12	High 23% Average 64 Low 13	High 35% Average 50 Low 15	High 44% Average 52 Low 4	High 48% Average 49 Low 3
2. Meat Prices	High 61% Average 38 Low 1	High 50% Average 48 Low 2	High 38% Average 50 Low 12	High 48% Average 51 Low 1	High 48% Average 51 Low 1
3. Store Location	Easy to get to 63% Average 22 Hard to get to 15	Easy to get to 58% Average 32 Hard to get to 10	Easy to get to 49% Average 34 Hard to get to 17	Easy to get to 50% Average 34 Hard to get to 16	Easy to get to 56% Average 32 Hard to get to 12
4. Fresh Vegetable & Fruit Quality	High 36% Average 59 Low 5	High 26% Average 63 Low 11	High 22% Average 51 Low 27	High 46% Average 50 Low 4	High 44% Average 55 Low 1
5. Fresh Vegetable & Fruit Prices	High 48% Average 49 Low 3	High 48% Average 50 Low 2	High 49% Average 46 Low 5	High 36% Average 60 Low 4	High 36% Average 62 Low 2
6. Grocery Prices	High 45% Average 52 Low 3	High 41% Average 52 Low 7	High 50% Average 43 Low 8	High 43% Average 54 Low 3	High 47% Average 52 Low 1
7. I Can Always Find What I Want	High 28% Average 60 Low 12	High 34% Average 56 Low 10	High 28% Average 56 Low 16	High 39% Average 54 Low 7	High 48% Average 48 Low 4
8. Weekly Specials	Best 25% Average 66 Poor 9	Best 14% Average 69 Poor 17	Best 11% Average 73 Poor 16	Best 29% Average 62 Poor 9	Best 28% Average 66 Poor 7
9. Courtesy & Friendliness	Best 26% Average 56 Poor 18	Best 12% Average 67 Poor 21	Best 37% Average 50 Poor 14	Best 57% Average 40 Poor 3	Best 53% Average 42 Poor 5
10. Store Cleanliness	High 67% Average 31 Low 2	High 37% Average 53 Low 10	High 31% Average 50 Low 19	High 64% Average 32 Low 4	High 70% Average 29 Low 1
11. Checkout Service	Best 27% Average 54 Poor 19	Best 26% Average 56 Poor 18	Best 24% Average 61 Poor 15	Best 56% Average 41 Poor 3	Best 48% Average 46 Poor 6
12. Coupons	Important 36% Not Important 48 Dislike 16	Important 22% Not Important 60 Dislike 18	Important 23% Not Important 60 Dislike 17	Important 36% Not Important 51 Dislike 13	Important 38% Not Important [illegible] Dislike [illegible]
13. Stamps	Important 45% Not Important 42 Dislike 13	Important 18% Not Important 59 Dislike 23	Important 19% Not Important 61 Dislike 20	Important 58% Not Important 34 Dislike 8	Important 58% Not Important [illegible] Dislike [illegible]
14. Newspaper Ad	Best 40% Average 57 Poor 3	Best 15% Average 78 Poor 7	Best 17% Average 75 Poor 9	Best 35% Average 61 Poor 4	Best 34% Average 62 Poor 4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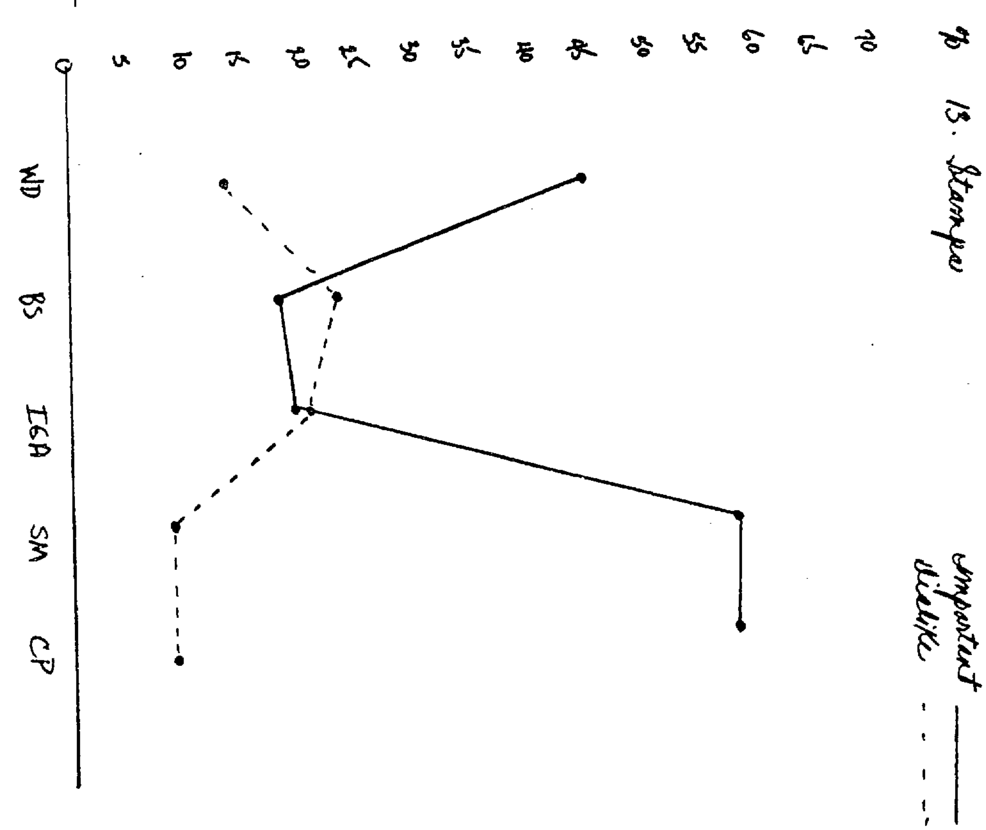
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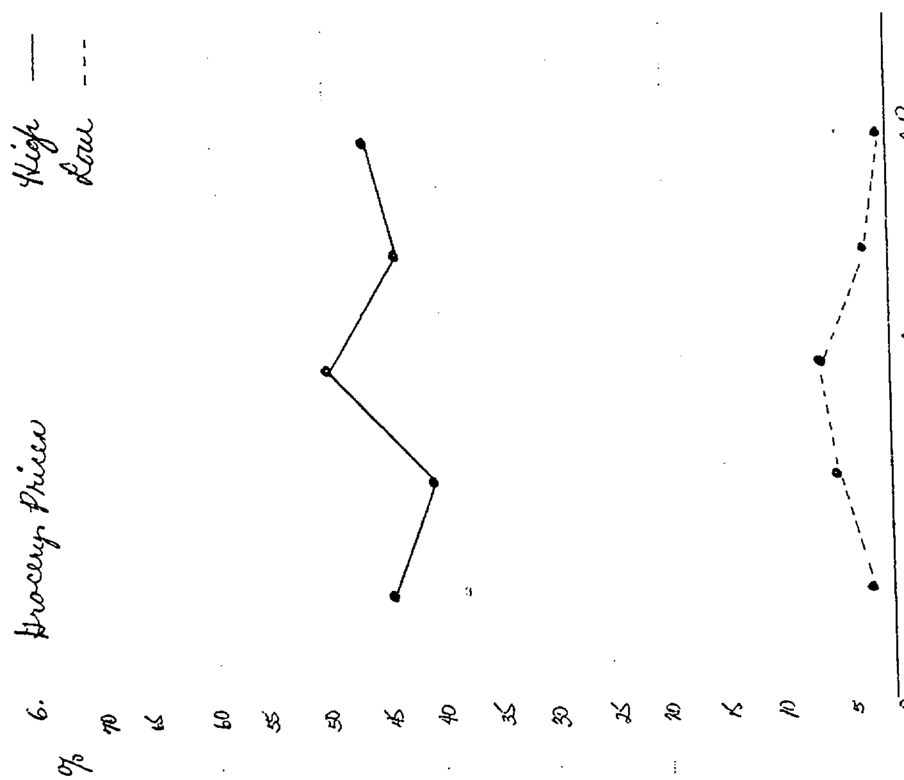
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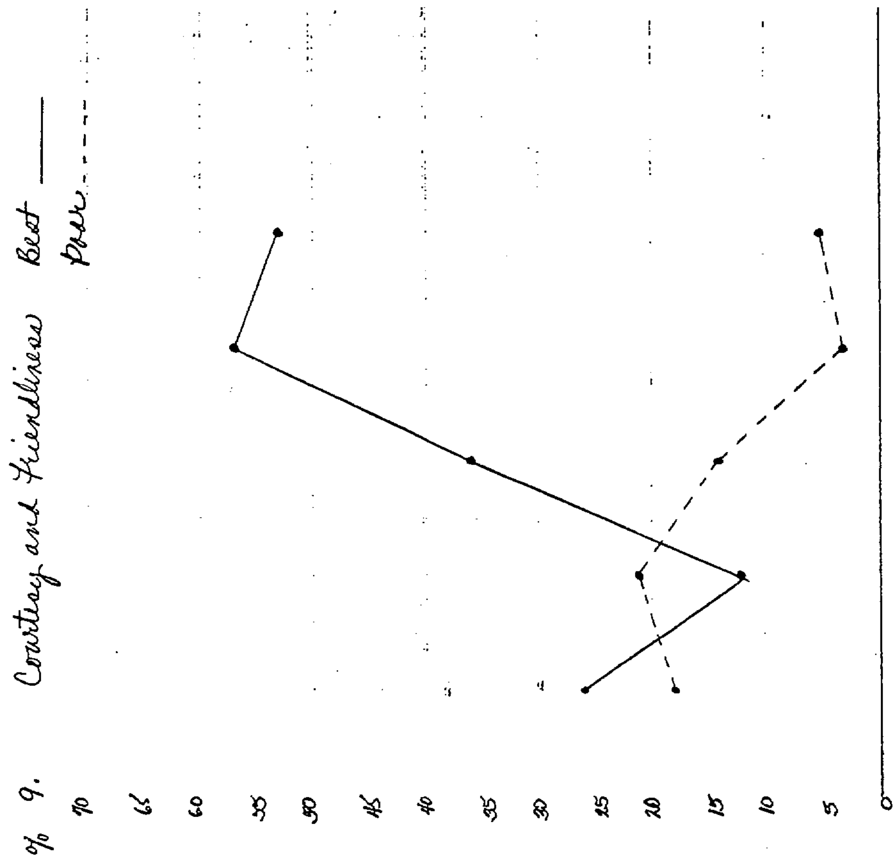
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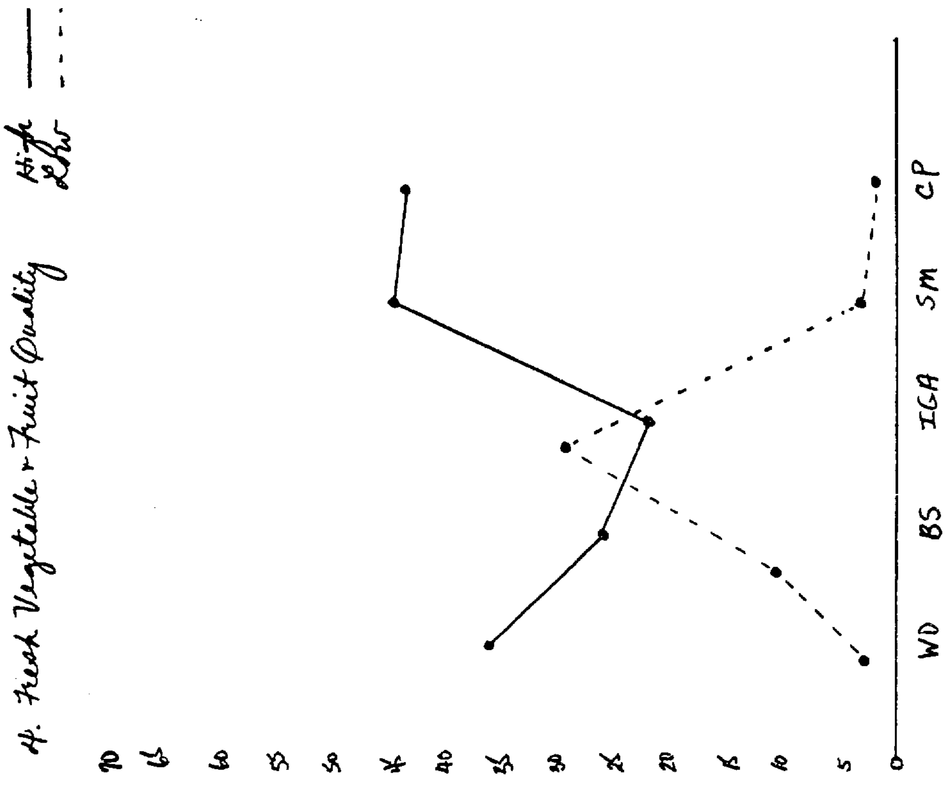
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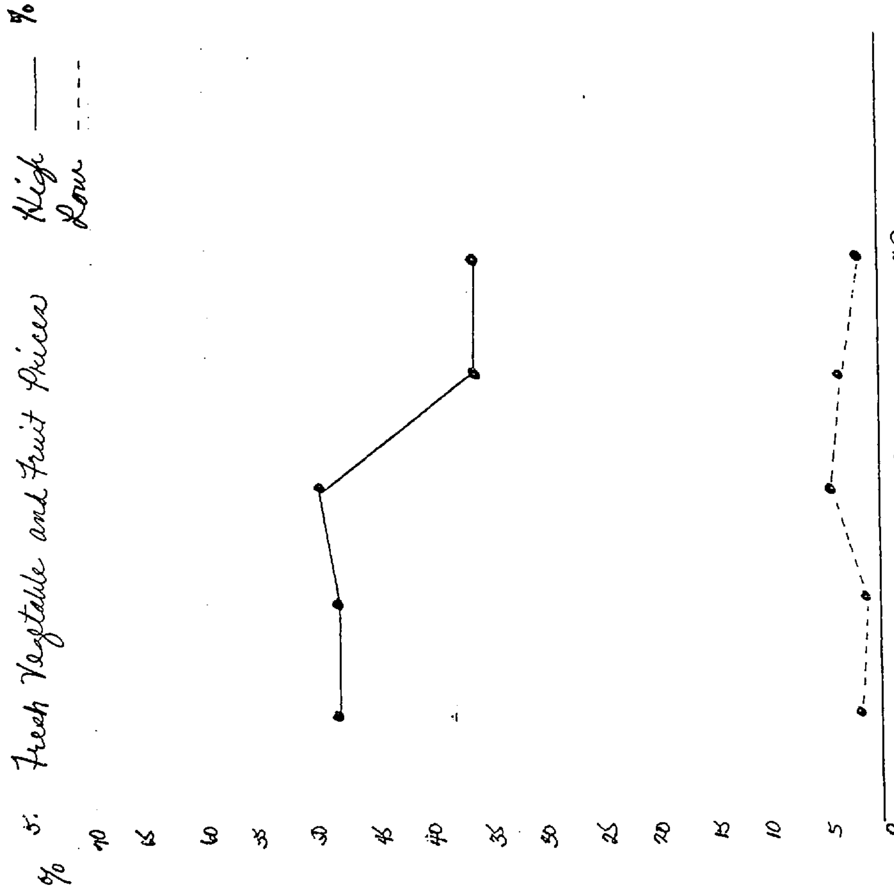
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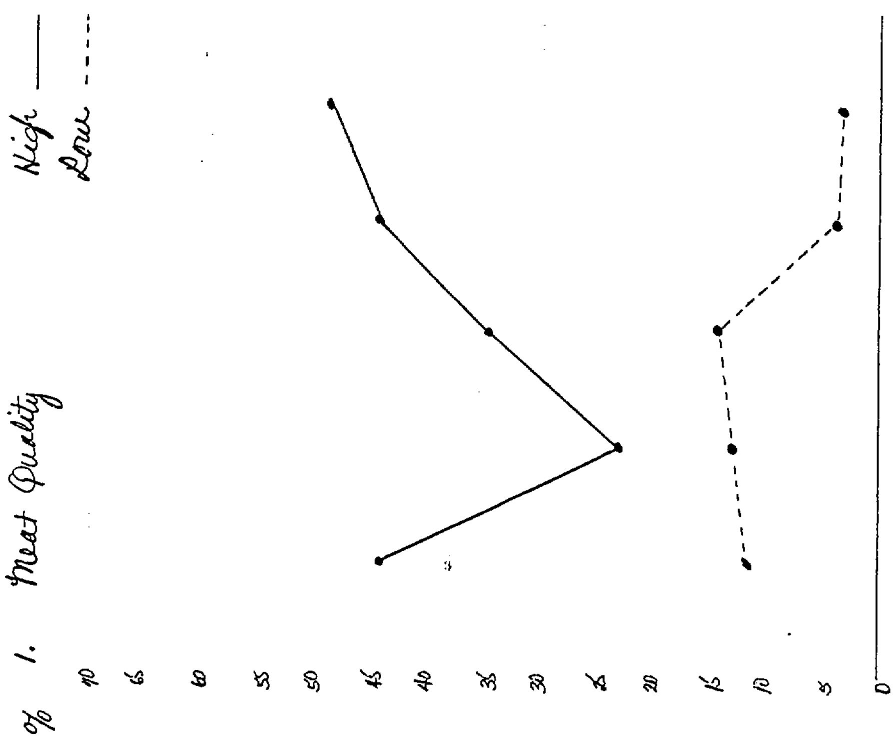

1. Meat Quality
High
Low
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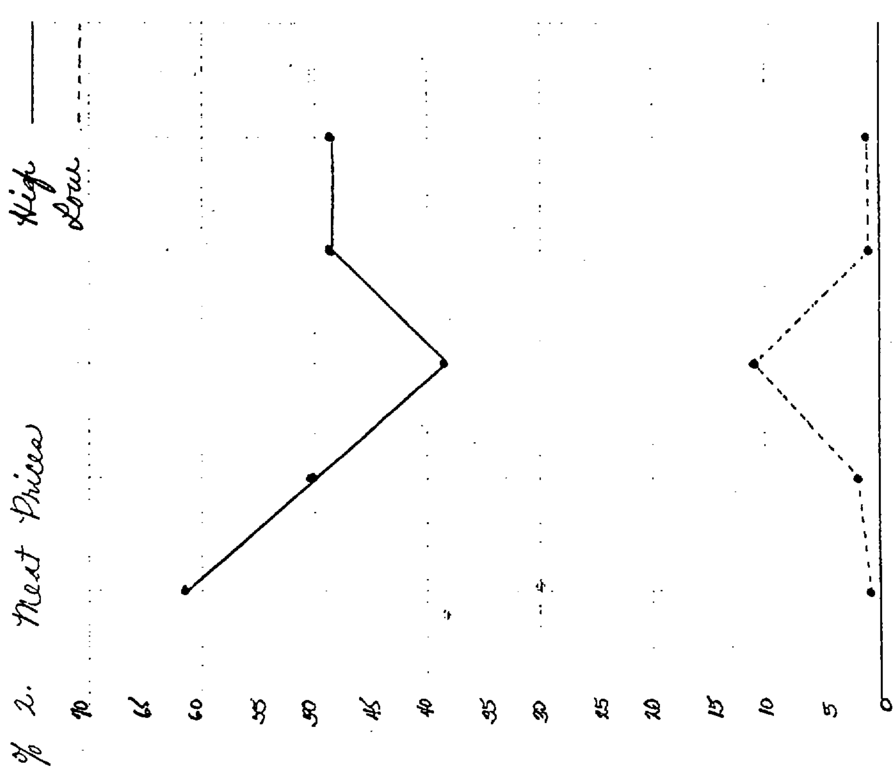

2. Meat Prices
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