Food Sales by the Discounter: Consumers' Perspectives

Forrest Stegelin

The consumer has been defined as "someone who has yet to find a better alternative." And because consumers have expectations of convenience, service, and price they are always looking for that better alternative. The "big box" discounters have entered the fray by adding full-line grocery sections (canned and dry goods, meats and produce, etc.) to their department store floor layouts in attempts to be the shoppers' solution.

Consumer expectations of and reasons for selecting a specific retail outlet, their satisfaction with their choice, and consumer trends are reviewed with respect to the discounters of Wal-Mart and Kmart. These discounters' respective images, customer bases, strengths, and challenges as they compete for the consumer food dollar are delineated from the consumers' perspectives. Post-purchase surveys of customers of Wal-Mart supercenters and Big K supercenters in Northeast Georgia were conducted in the spring of 2001 by undergraduate students enrolled in "Selling in Agribusiness," (AAEC-3200, The University of Georgia). Northeast Georgia encompasses commuter households and bedroom communities from the Atlanta metropolitan workforce as well as rural and/or retired residents whose income is somewhat more limited than their city-employed neighbors. A full-line grocery store—usually a chain store such as Kroger, Publix, Harris-Teeter, Bi-Lo, Winn-Dixie, or Piggly-Wiggly—was located within the same community so a point of comparison could be made between the grocery-only format and the super-sized department store. There are no recognized hypercenters of the European format in the study area. Results of these consumer surveys and implications for the future of food marketing are the focus of this research update.

The leading reasons for shopping for food items at a specialty shop, i.e., bakery or butcher shop, were product quality and selection/assortment. The primary reason for shopping at a grocery store was price, followed by convenience. The same two reasons prevailed for shopping at the discount department supercenters, although price and convenience both were mentioned by a higher percentage of customers than among the grocery store customers.

Are the discounters providing as complete a food-product line as the grocery stores? Customers were asked whether their visit to the retail outlet was a planned visit or a surprise or unanticipated visit—e.g., in response to a need for milk, pet food, or some other product—and their overall satisfaction with this retail outlet as a source for food purchases (Table 2).

Consumer Expectations

When a customer makes a planned visit to a retail food outlet, he or she has certain expectations. The primary factor is "comparative value." Unfortunately, there is not a simple equation with definitive elements that can render a cognitive choice easily. It is is a matter of element-weighting and evaluating perception versus reality.

Service—the ability of an organization to constantly and consistently give customers what they want and need—is the second leading consumer expectation. In fact, exceptional service is sought, whereby the organization constantly and consistently exceeds the customer's expectations.

In what form do these solutions to real or perceived needs exist? The solution to the customer's problem or need may be in the form of a product, some intangible information, a service, or a risk alleviator.

Additional consumer expectations from food shopping include fun; an enjoyable shopping experience; new, different, and unique; speed and/or convenience; and overall satisfaction and success with their purchase and food preparation experience.

Consumer Trends

As these various retail outlets compete for the consumers' food dollars, what are the social and eco-

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nomic trends of the consuming public other than that the consumer is forever changing their tastes and preferences? Social and demographic studies indicate the following characteristics of consumers that influence their shopping and purchasing trends:

- value driven
- skeptical
- cynical
- loyalty challenged
- better informed
- challenging
- escapist
- burnt out
- stressed out
- wants to be entertained
- individualistic
- time starved.

The Discounter Competition

Kmart

Image: "polyester palace," but changing
low end (but Martha Stewart is helping to change this perception)
'bluelight' specials
limited assortments, secondary brands, or private label
turnaround process, focus on customer service.
Customer: predominantly female (75%)
lower demographics
Strengths: store locations
Martha Stewart
new management team
access to store associates
advertising
Challenges: focusing on the soccer mom and her kids; de-emphasizing the male customer
low volume, low traffic
Dare to Compare campaign
lagging information technology
signing, information
knowledgeable and caring associates
payroll
care and maintenance
limited assortments
distribution and logistics
inventory management and turnover
stagnant store growth
financial stability.

Wal-Mart

Image: leading price-value purveyor
halo effect
limited assortments
acceptable quality
one-stop shopping
Customer: 50/50 male and female
older demographics
Strengths: size and buying clout
distribution logistics, inventory management
low-cost operator

Table 1. Reasons for Selecting Retail Outlet

	Specialty Shop	Grocery Store	Discounter
Convenience	13.3%	24.2%	29.8%
Price	15.0	29.8	36.1
Product Quality	28.8	13.2	10.3
Reputation	9.7	3.2	.8
Selection or Assortment	24.8	21.4	13.1
Services or Other Reasons	8.4	8.2	9.9

Table 2.

	Planned	Satisfied
Specialty Shop	76.9%	74.6%
Grocery Store	70.7	74.5
Discounter	61.8	76.4

conversion and new store growth of supercenter prototype
information technology capabilities and linkage with suppliers
guarantee

Challenges: store control and standards
payroll
care and maintenance
product quality
presentation and display
markdown aversion
point-of-sale information
knowledgeable associates

Implications for Food Marketing

The 'big box' discounters are not going away, regardless of consumer opinions, as long as dollars are spent at their sites. The discount department-store supercenters present both challenges and opportunities to the customers. If price is a premium, these discount supercenters will be king, but if perceived quality and value are important, then the mainstream grocery stores and specialty food shops will be the place to shop.

References

Available upon request from the author. The information conveyed is the consensus of the cus-