Customer Analysis and Market Strategy - Supermarkets Vs. Convenience Stores

by
Ed Watkins
Ohio State University
Columbus, Ohio

Food store customers are motivated by numerous factors in the selection of the store or stores in which they do their food shopping. Of interest is the relatively different set of criteria involved in the selection of a convenience store as compared with those factors considered important by customers in the selection of a supermarket.

Recent surveys of supermarket customers have identified some twenty factors as having a bearing on the choice of the supermarket(s) shopped. Nine of the factors to be enumerated and rated are considered major determinants in the selecting of a supermarket, eleven are viewed by customers as of somewhat less importance. However, when the customer views the competing stores as similar in performance for major factors, the decision where to shop may be based on those factors associated with the less important.

The factors determined to be of major consequence in the selection of a supermarket by customers are listed as follows in descending importance, Table 1. The first column identifies the factor, the second the number of responses about that factor per 100 customers, and the third column the range in number of responses about that factor when related to each of nine competing stores.

The relative importance of all store selection factors identified by supermarket customers appears to shift over time and between trading areas due in part to economic competitive changes and shifts in consumer's priorities.

No store in the survey ranked either uniformly high or low for all factors. Even though a store was rated generally high, there were factors that customers rated rather low. Even for the most highly rated store, one major factor and seven on the less important list received a bottom of the list rating. It is of interest that each supermarket was rated by its customers as excelling for one or more selection factors. Average weekly food store expenditures were \$11.34 per capita and \$43.52 per household.

When convenience store customers were asked what considerations were important in choosing one of these stores, six factors were identified, Table 3.

The relative importance of these factors associated with convenience stores does not appear to shift significantly over time or between trading areas. The first three factors include 81% of the total responses of convenience store customers while supermarket shoppers required the first ten factors in their list to include 81% of their responses.

Very few customers identify convenience stores as their primary source of food. Convenience stores are identified as a source for fill-in items.

While price was not given as a factor in the selection of one convenience store over another it was definitely a factor in limiting purchases at convenience stores or in not shopping convenience stores. With customers viewing convenience stores primarily as a source for fill-in items to supplement total food store purchases, convenience stores choice of a "right" mix of a very limited product selection would seem critical, Table 4. These six product categories included 80% of all items customers associated with convenience stores. Average weekly convenience store sales in the trading area were $2.62 per household or $.96 per capita.

The competitive strategy of convenience stores first might well concentrate on location strategy, a location possibly removed from locations of other food stores both convenient and supermarkets. In addition, building an image of quick service, of long hours open, and an excellent choice of items associated with the relatively few product categories customers identify with convenience stores seems essential. As stated earlier price differentiation by customers of competitive convenience stores did not appear to be a factor in convenience store selection. Market segmentation appears to have limited possibilities for convenience stores.

Customers of supermarkets readily identified these stores as a primary source of nearly all food items. Supermarket customers viewed some stores as excelling in specific departments, such as meat, produce and bakery. They also differentiated stores on location, prices, selection and variety of items, store atmosphere, layout, services offered, in-store displays, out of stocks, and employee attitudes. Although location was a primary factor and checkout and hours open were performance factors identified as recognizably different between stores, these factors did not have the overriding importance as with convenience stores.

Supermarket competitive strategy may concentrate on price programs, on quality perishable programs, on cleanliness, or a broad appeal striving for superior performance in most areas. Supermarket strategy may develop some version of market segmentation by identifying that store to customers interested in superior department operations or recognizably different pricing programs. In addition, market strategy of supermarkets may shift over time to meet changing competition or in response to altered economic conditions.

Table 1. Factors Considered by Customers in the Selection of a Supermarket

Supermarket Selection Factor	Average Number Responses per 100 Customers	Ranges in Number of Responses per 100 Customers Between Competing Stores
1. Prices	62	55 - 82
2. Cleanliness	36	25 - 48
3. Food Quality	34	25 - 48
4. Selection-Variety	33	8 - 48
5. Store Location	34	8 - 42
6. Employee Attitude	30	16 - 54
7. Meat Quality-Freshness	28	15 - 39
8. Produce Quality-Freshness	23	8 - 44
9. Store Atmosphere	13	6 - 28

Table 2. Factors of less Importance in the Customer's Choice of a Supermarket

Supermarket Selection Factor	Average Number Responses per 100 Customers	Ranges in Number of Responses per 100 Customers Between Competing Stores
10. Store Layout	8	4 - 15
11. Services	8	4 - 16
12. Checkout	6	3 - 16
13. Specials	6	3 - 17
14. Displays	5	3 - 14
15. Well Stocked	5	0 - 11
16. Brands Available	4	0 - 6
17. Parking	4	2 - 10
18. Advertising	3	0 - 14
19. Product Availability	3	0 - 6
20. Hours Open	2	0 - 14

Table 3. Factors Considered by Customers in the Selection of Convenience Store

Convenience Store Selection Factor	Average Number Responses per 100 Customers	Ranges in Number of Responses per 100 Customers Between Competing Stores
Quick Service	64	53 - 80
Hours Open	58	28 - 64
Location	59	55 - 72
Products Available	24	22 - 44
Employee Attitude	8	8 - 9
Parking	4	3 - 11

Table 4. Product Items Customers Commonly Associated with Convenience Stores

Product Category	% of Customers Identifying this With Convenience Stores	Range in % of Customers Identifying this Category Between Competing Convenience Stores
Bread	63	59 - 84
Milk	61	58 - 73
Beverages	36	36 - 43
Cigarettes & Tobacco	17	16 - 18
Snack Foods	16	16 - 18
Newspaper & Magazines	10	8 - 10

****

Another Look at Customer Image Studies

by
Theodore W. Leed
Professor of Food Marketing
University of Massachusetts
Amherst, Massachusetts

It has been about 15 years since Ricker first used the mail survey rating system to develop customer images of competing supermarkets in market areas. Since that time the technique has been used by Leed, Marion, Watkins, Skinner and others as a means of developing competitive strategy recommendations for food retailing firms. Although some adaptations have been made, the basic format of the questionnaire remains essentially the same with respect to the attribute ratings. (Exhibit 1)

It would seem appropriate at this time to review the "state of the art" in relation to what we have learned about customer perception or image, how the knowledge has been used and how we can improve the technique and its application to the management decision-making process. I will use the technique and results of our latest consumer image survey in Massachusetts as illustrations.

What We Have Learned

Based upon our rating studies in Massachusetts as well as those conducted elsewhere, we can formulate some general conclusions.

1. Relatively high rates of response, usually greater than 30%.

2. Consumer selectivity in evaluation of quality and prices among major product categories.