

WHICH RETAIL FOOD SERVICES ARE CONSUMERS WILLING TO DO WITHOUT

by

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Background

In recent years the public has become increasingly sensitive to rising food prices. A study by Pennsylvania State University indicated that two-thirds of consumers surveyed in 1971 felt that food prices were too high.^{1/} By the fall of 1973, follow-up research indicated that 85 percent of those surveyed felt food prices were too high.

A portion of the increasing consumer sensitivity toward rising food prices can be explained by the long term food trends that were reversed in 1973. For example, spot shortages of food occurred, particularly fruit and vegetables. Food prices increased more rapidly than either wages or the prices of so-called necessities such as housing, clothing, medical care, and transportation.^{2/} The percent of disposable income spent for food increased 1.3 percentage points from 1972 to 1973, reversing a downward trend which had existed since the early 1950's.

Given this background, a study was conducted at the University of Kentucky to provide an insight into 1) which institutions and economic forces do consumers feel are responsible for rising food prices?, 2) what solutions are favored for slowing the rise in food prices?, and 3) which food retailing services and practices do consumers feel could be reduced or eliminated if the rise in food prices could be slowed?

A summary of the responses from the first three questions will be provided. Responses to the last question on retail services will be examined in greater detail. This means of presentation was chosen primarily because earlier studies and recent public opinion polls have provided the food distribution industry valuable data on the institutions and economic forces that consumers feel are behind rising food prices. However, there is little data available which examines consumer attitudes toward retail store services in this inflationary economy.

Methods Employed

Four hundred households from 10 income strata were interviewed in the Lexington, Kentucky Standard Metropolitan Statistical Area. Lexington was chosen because of its central location, the varied demographic characteristics of the population, and because of its proximity to the University of Kentucky.

Data Collected

Retail store trade literature and earlier studies suggested various retail services and practices which if reduced or eliminated, could lower food costs or keep food prices from increasing as rapidly. These variables

included advertising, trading stamps, games of chance, carry-out service, check cashing, number of brand items, store hours open, number of check-out lanes, and personalized meat services. Consumer profile characteristics included age, sex, marital status, education, income, city size, and shopping frequency.

The collected data were first summarized by percentage distribution of responses. Chi Square Analysis was used to determine the association between profile characteristics and consumer attitudes.

Results

What are the Causes or Solutions?

Those consumers surveyed most frequently blamed government and food marketing agencies for rising food prices. Farmers, farm organizations, and consumers were least often held responsible. Economic forces held accountable for rising food prices included inflation, corporate profits, and rising wage rates. Farm profits and farm programs were least blamed. Solutions that were favored for slowing the rise in food prices included, decreased government spending (78%), restrictions on feed exports (66%), and price controls (62%).

Which Services are Consumers Willing to do Without?

Consumers were willing to see those retail store services or practices eliminated or reduced which were largely of a nonconvenient nature. In descending order of agreement, consumers said they were willing to eliminate games of chance (83%), eliminate trading stamps (77%), reduce the number of checkout lines (66%) and reduce

advertising (61%). Generally those consumers that favored reducing retail services were well educated and drawing higher incomes. These findings are consistent with an IGA study which found 71 percent of the respondents against trading stamps and games of chance. In addition, this study found that 72% felt advertising should be reduced and 66% favored reducing retail store decoration provided reduction of these practices could be reflected in food prices.

With the possible exceptions of reduced check-out lines, consumers appear unwilling to forego their present level of convenience services for the sake of lowering food prices. Less than 36 percent favored eliminating carry-out service and free check cashing or reducing the multitude of brands and items, and personalized meat service. Respondents were evenly divided (44%) on the question of reducing the number of hours retail stores open. The remaining 12% were undecided.

Reducing the number of check-out lines is an exception to their overall attitude of not reducing the level of convenience services. Sixty-six percent favored reducing the number of check-out lines if the reduction could be reflected in food prices. Only 16% were opposed and nearly 18 percent were undecided.

Correlation with Consumer Profile Characteristics

Consumer profile characteristics were correlated with consumer attitudes toward reduced or eliminated retail services.

Those surveyed that favored reduced advertising generally were from small households. Those that favored elimination of trading stamps were

most likely to be male, from larger households, and well-educated. Those that wanted to eliminate games of chance were between 31 and 60 years of age, married, well-educated, and higher paid.

Reducing the multitude of brand items was favored by those who were lowest paid, least-educated, and more elderly. Reducing the number of check-out lanes was favored by consumers over 60 years of age who shopped less than once a week.

In summary, consumers apparently would look with disfavor on a reduction in the number of level of convenience services or practices currently offered by their food retail stores. On the other hand, they appear to be quite willing to see several nonconvenience practices (such as games of chance, trading stamps, advertising, etc.) either reduced in their intensity or eliminated.

Table 1. Which Retail Store Services were Consumers Willing to do Without?

| | Disagree | Undecided | Agree |
|---|-------------|-----------|-------|
| | - percent - | | |
| Advertising (Reduce) | 17.4 | 11.0 | 61.5 |
| Trading Stamps (Eliminate) | 14.1 | 8.8 | 77.1 |
| Games of Chance (Eliminate) | 9.4 | 7.9 | 82.7 |
| Carry-out Service (Eliminate) | 55.1 | 11.5 | 33.3 |
| Free Check Cashing (Eliminate) | 53.6 | 12.1 | 24.4 |
| Multitude of Brands and/or Items (Reduce) | 54.1 | 12.8 | 33.0 |
| Store Hours (Reduce or Shorten) | 43.2 | 12.8 | 44.0 |
| Check-Out Lines (Reduce Number of) | 16.1 | 17.7 | 66.1 |
| Personalized Meat Services (e.g., Custom Cutting & Packaging (Reduce) | 52.8 | 11.4 | 35.9 |

FOOTNOTES

1/ Warland, Rex H., and Robert O. Hermann. "Where do Consumers Place the Blame for High Food Prices;" Farm Economics

2/ U.S. Dept. of Labor, Bureau of Labor Statistics. Monthly Labor Review, March 1974.
