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AFTER THE SUPERMARKET, WHAT?

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What will be the process of replacement of a major institution in our food industry system and what factors will impact the changes.

Introduction

That venerable old food distribution institution, the supermarket, was born on Long Island, New York during the great depression of the early 1930s to supply poor people with a low cost means of getting their staple groceries. A series of changes brought fresh meats (service and self-service), produce, dairy products, frozen foods and a long list of other products and services to the masses designed for home consumption. Then came the delicatessens, bakeries, snack bars and restaurants in an attempt to service the needs of the away-from-home eating market and the two wage earning families. Along with these came the floral and liquor shops, banks and novelty shops. And, of course, the ever widening offering of non-foods, both non-durable and durable goods, they sometimes overshadowed the food in supermarkets. One-stop shopping was the key to the "super-stores" of the late 1970s. Most recently, the "no-frills," warehouse, limited assortment and service store has had its impact

upon food retailing...as has the move toward more generic--non-branded, price cutting items. Finally, we are controlling and managing what appears to be organized chaos with the computer-assisted check-out systems.

There are several constants in this five decade long series of development: (1) we deal with food products and services, (2) changing technologies are continuing, (3) most importantly people (store or vendors) receive, price (if only shelf and computer), display, process, package and sell these products, and (4) people purchase a choice of items from displays, pay for them and physically carry them away. People are 60% of the cost of operating our supermarkets, and people also perform the rest of whatever "post-supermarket" activities befall food products before and while they are being consumed.

No matter how simple or how complex they may become, the basic approach to self service merchandising of food has not changed since the days of King Kullen. People offered the food for sale and other people purchased and consumed it.

Objectives

So what's the point of these bits of history and philosophy?

Productivity in food distribution according to the Bureau of Labor Statistics has been stagnant for an embarrassingly long period; Chapter 11's, mergers and union "give backs" to maintain jobs abound; the society that she (the supermarket) was designed to serve thrashes in a storm of discontent and change, and finally, prolonged recession-depression grips the economy while government alternately cuts and raises taxes and appears totally helpless to remedy the situation.

Discussion

It appears to many that the current discomfort is not caused by gas produced from a bit of undigested beef or cheese as "Scrooge" thought, and will not go away with the morning light. To the contrary, our national discomfort is being caused in large part by the inability of our institutions and social structure - designed to deal with a "things" and "growth oriented" society - to meet the needs of the fast forming service and information, "slow or no growth" oriented society. In short, we need to ask the questions: Can this once unique American institution that has served us well from the 1930s through the 1970s perform the task of retailing the majority of the nation's food efficiently and economically during the rest of the 1980s and the 1990s? Should another institution or series of institutions be found to do the job? Can the supermarket adapt and serve yet another series of needs? This is the focus of the paper which follows.

The Emerging Society

The 1940s through the 1970s have been the growth years - the culmination of the industrial revolution. We in the United States have personified the more goods, more distribution, "things" oriented society. Resource consumption constraints have been thought of as minor till only very recently.

The decade of the 1980s is bringing, and will continue to signal, the sober realization that we must face resource limitations (some of which can be severe and have a traumatic impact upon our society - e.g., the energy crisis). The need to emphasize the quality of life and goods and not quantity and planned obsolescence is paramount. The type of society into which we are emerging has been called (1) the "Post-Industrial Society" by David Bell¹, (2) the "Knowledge Society" by Peter Drucker and the "Third Wave" by Alvin Toffler. These three and many others give few specifics regarding our new society, but emphasize "quality over quantity," "me over mass," the value of information and knowledge, the development of man's mind over blind obedience to technology, among other similar attributes.

The development of a "new society" will not happen over night. Many think it will take the decade of the 1990s and on into the first part of the 21st century for ours to take shape. Please note: this exercise is not a lottery to choose the precise day, month and year that a new society will flower.

Our Food (Nutrient) Needs for the 1980s and 1990s

We as a nation have been told by several nutritionally minded groups that we are too fat!! We should eat less; cut way down on salt; cut down on red meat and fat; eat more fruits and vegetables and cereal grains, among other recommendations to improve diet and health under our present life style. Given the fact that we can distill common threads from all these confusing and sometimes contradicting nutritional recommendations, to make these changes would dramatically impact upon the food industry. The fast food and institutional feeders would probably feel the most immediate pressure. However, products offered in the super-

market would change significantly in both composition and percent of sales.

The second stage of this process is to try to anticipate the nutritional needs of the lifestyle that will be prevalent in the emerging society. The author has commented upon this matter and will let his earlier paper stand as a response.²

United States Food Distribution Industry - 1982

The "away-from-home" segment of food distribution industry is composed of: (1) institutional feeders - which are rapidly growing; (2) traditional "sit down" restaurants - which are not growing and recently have been experiencing declining sales, for the most part; and (3) fast foods - which are still growing, but face an "over-stored" situation in many areas of the country.

The "at-home" segment at retail has (1) small stores - which are declining in number and proportion of sales; (2) convenience stores - which have grown rapidly in recent years but still have about 5% of sales and face an "over-stored" situation in some places; (3) supermarket - sells 2/3 of grocery store sales, have been relatively constant in number recently; are over-stored in many places and productivity has stagnated.

The author will allow for a certain amount of sales moving between categories, e.g. fast food eaten at home and delicatessen food eaten "on the go." This is one indicator of the volatility of the situation and points to more change in the future. Another indicator is the fact that a limited assortment of food items are for sale in drug, hardware, general merchandise and many other types of retail stores.

Short Range Operating Strategies for Supermarkets

Given the fact that the supermarket, as a food distribution institution, has reached such a stage of advanced maturity, responsible people in the industry, academia and government will ask, "What is the next step in food distribution?" Two points have been made frequently by the author in the past, but are important enough to be repeated. First, we are not talking about a "grand leap" into the "never-never land" of the future. We are talking about moving from the present to a well thought out posture in the future, within a specific time frame. Second, we are talking about moving from strength to strength. "Anticipation" rather than "reaction" is the keynote of our movement.

The first, most obvious and most practical response is "to do nothing." "Tuff it out" - "be a rock!!" Increase competition for a gradually shrinking piece of the action, merge, go under Chapter 11, make superficial changes, survive and hope it all goes away. This is, in fact, what has happened in the food distribution business during the past ten years. Where in the world has the author been? Doesn't he know about electronics, changes in store design and changes in products? Of course he does! But, ask yourself. What has really changed at retail in food distribution during the past ten years? Electronics will provide us with the information for making dramatic changes in food distribution during the rest of the 1980s and 1990s. But, we have yet to get the job done.

If one denies the first option and says "I want to do something," then a whole series of choices open up. The reason for the plethora of options can be seen if one looks at the supermarket as a link in the chain of institutions designed to provide food for our people (not a new concept). The consumer has "gone to the market" for the past 50

years, made appropriate purchases, brought the food items home, further processed them and provided them for family consumption. The cost in time, energy, discomfort, and most importantly opportunity costs of performing all these activities has increased almost exponentially in the past several years. Many people have "better things to do" with their time than shop for and prepare food.

From the other side, goods and services have flowed from point of production to the supermarket through an ever more complex and sophisticated chain of institutions. If one is going to consider the possibility of replacing the central institution in a distribution chain, then logically he or she should consider the appropriateness of the complete chain and all its parts as well.

When you come right down to it, what can one really do? In the very short run, options for change are very limited. As the time horizon lengthens the number of options increases, both should not be news to anyone. The most important items here are to be aware that significant change is close at hand, and to be open to deal with it in an anticipatory manner. Institutions should be a means for providing people with products and services at prices that represent a value...they must do this job efficiently or face extinction, "Sacred Cows" die hard, but must go.

Longer Range Options

Using state of the art technology, it has been possible for some time for a person to order the week's meals, pay for them, receive and consume them and dispose of the refuse without leaving the privacy of his or her own home. This could also be done for part of the meals at work or at any other place. When the author brought forth the "meal concept" in "The Food

Industry - 2000 A.D." in 1969, it caused a mild sensation in the food industry, but was largely ignored as revolutionary.³ It too used state of the art technology and would have required the chain of food distribution institutions to adapt.

Once the concept of having to go somewhere to pick up ingredients for further processing and consumption at another place can be broken, then the whole system opens up. If people can think in terms of consuming finished products (meals) wherever they are or plan to be, then the opportunity for true change is present.

Does this mean that one morning we will awaken to a multitude of home computer activated and controlled home delivery meal firms, with all the existing supermarkets standing vacant or being made over to sell a variety of other goods? This is one rather extreme scenario from a whole series of possible occurrences. People love to imagine extremes when it comes to dealing with future occurrences. Unfortunately they do not use them as parameters as they should. Rather, they try to tear them apart in a frustrated effort to prove that the whole process of planning is not productive in the first place.

The author's purpose here is not to provide a laundry list of specific options for the supermarket industry of the future. Rather let us examine some of the key factors that will trigger and impact upon whatever changes that will occur in the supermarket portion of our food distribution industry. These factors can be outlined as:

1. Integrated electronic data systems - with universal application for both consumption and food industry systems management.

2. Time - value of consumers' time spent in food procurement, processing and consumption; value of labor used in the supermarket.
3. Energy - amount used in current system of procurement, processing and consumption of food, changes in lifestyle dictated by increased energy cost and lack of availability.
4. Productivity - resources in <-> products, services and perceptions out; present systems vs. alternatives.
5. Technology - form food consumed in, physical handling of products and services.
6. Capital Costs - Capital vs. labor, opportunities for substitution.

The readers might very well utilize these or other pertinent factors and construct a series of options for themselves. It could be interesting, instructive and even fun. The author would welcome receipt of such option lists.

Timing of the Transition

From a supermarket owner's point of view, a change is good if it leaves him or her:

1. to increase sales, reduce cost or increase profits.
2. to achieve a reasonable return on capital invested.

If we can imagine this for all supermarket owners, it would be a sort of best of all worlds for them. It also will never happen. The change that comes, whatever it is, will be helpful to some and damaging to others. Such is the nature of the "free enterprise system" we are operating under. The author would assign

a very low probability for a government "bail out" of the supermarket industry. This is especially true under the present "conservation" administration.

Proper timing (absolutely essential to successful introduction of change) will be difficult in this case due to (1) the enormous power of vested interests - firms, suppliers, equipment industry, unions and government; (2) the sheer size of the situation; (3) lack of a central vehicle to focus enough power to force a change; (4) lack of leadership.

Therefore, whatever the next phase in retail food distribution is to be, the change will probably be painful and will be in a large part geared to the rates of absorption of small computer technology and utilization into the fabric of the new society. Also, the ability of the combined special interests to delay the transition to whatever will benefit their own particular situation will tend to slow the process.

Change and the Individual Enterprise

Two comments are necessary here. First, from the point of view of the individual enterprise, a major change can run the limit from 0 to 100% impact, both positive or negative. Second, the more specialized a business becomes; the greater the probability the business will miss the change and lose it all, but the greater the magnitude of the win if you "hit the jackpot."

Impacts Upon the Food Industry System

One thing we have learned in the past few years is that our entire food industry system - production - processing - distribution and consumption is made up of interconnecting parts. It is virtually impossible to make a change

(especially a major one) at any institutional level without having some impact upon all the other levels. The impact tends to be greatest upon the institutional levels immediately adjacent to the level changing. Then it will tend to exhibit the ripple effect upward and or downward depending on which way attention is focused.

For example, the issue of rearranging shelf displays based upon direct sales information (computer generated) impacts upon (1) the store-different location and shelf space allocation plus pricing adjustments, (2) vendors - sales and profit contributions not access will determine shelf space, (3) wholesalers - quantity and frequency of delivery, (4) processors or manufacturers - change in case size and shipment frequency (possibility of shipping "bright" to warehouse and shifting the labeling activity to the wholesaler or chain warehouse) this would have a tremendous impact upon branding--both store and national. For all you "no-change advocates," this will be happening in the next few years whether or not supermarkets remain as the major food distribution institution.

These secondary or tertiary impacts are sometimes difficult to foresee and even more difficult to predict

as far as magnitude is concerned. They may also overshadow the impact of the original change.

Summary

For the pragmatist looking for the detailed design of a replacement institution for the supermarket, together with precise specifications, costs, delivery dates, etc, we don't have much. To have looked only for that was to have missed the points of the exercise.

The purpose of this paper was to identify the process of thinking through the replacement of a major institution in our food industry system, and to discuss the major factors that would impact upon such a change.

The author hopes that many minds - younger, brighter, quicker than his - will get involved in the problem. Further, he seeks the over-all solution which will bring the greatest total good for our citizens at the least total resource expenditure.