WHO BUYS "NO FRILLS" GROCERY PRODUCTS?

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Authors conclude that a readily identifiable market segment, based on socio-economic variables does not exist for "no frills products."

Problem Statement

In February of 1977, Jewel Food Stores introduced a new category of products to the United States market. Jewel called its new products "generic grocery products." Other firms soon followed with their own versions of Jewel's original No Frills Concept.

In fact, as of March, 1979, more than 25 percent of all supermarkets in the United States offered a type of No Frills product.[1] Each of the organizations that offers No Frills products has used a slightly different set of terms to describe its products, but the basic concept of lower prices, austere packaging, and functional value is always evident. Table 1 presents a list of the terms that food distributors have used to describe this new brand category.

The prices of most No Frills products are about 30 to 40 percent lower than respective national brands and about 20 percent lower than respective private labels.[2] These lower prices have resulted in rapid acceptance of No Frills products. In stores that sell No Frills products, the new products have already captured about 11 percent of the sales in their respective product categories.[3]

TABLE 1

Representative Terminology for No Frills Products

Organization	Terminology
A&P	Economy Center
Big Bear	UN-Brand
Dominion	White Label
Giant Eagle	No Brand Name
IGA	Much-More
Jewel	Generic Grocery Products
Pathmark	No Frills
Ralph's	Plain Wrap
Safeway	Scotch Buy (also, Second Generation of Generics)
Star	No Names
Stop & Shop	Economy
Topco (wholesaler)	Valu Time

The introduction and apparent success of No Frills products has shocked the industry. Chain Store Age/Supermarkets reported that "If generics catch on, the private label-branded equation will be upset--perhaps permanently."[4] Fortune reported that "Nothing in the recent history of the food business has been as surprising or as controversial as the swift proliferation of so-called generic products."[5] From the consumer perspective, Consumer Reports called No Frills products "the hottest food-marketing trend in years."[6] Progressive Grocer reported that No Frills products "... are one of the hottest topics in the industry. And one of the greatest riddles as well... Those who jump into no-names without sufficiently researching where basic consumer demands lie may live to rue the day."[7]

To date, however, very little research has been reported on the market for No Frills products. In light of this, a research project was initiated in March, 1979, in an attempt to identify relevant consumer characteristics of the users of No Frills products. If this group can be identified, food distributors will be able to better direct their marketing efforts to the No Frills segment of the consumer population.

Methodology and Results

In March, 1979, 170 households were randomly selected from the Fayetteville, Arkansas, City Directory. A questionnaire developed by the authors was sent to each of these households. Telephone follow-ups were employed and 68 completed questionnaires were ultimately returned (40%).

A multiple regression model was constructed to test for the statistical significance of several consumer socio-economic dimensions that often serve as the basis for segmentation of a market. Partial correlation coefficients were determined for each variable in the model. These values measure the degree of association between No Frills purchases (the dependent variable) and the one particular independent variable, when all other independent variables are held constant. The sign (positive or negative) indicates the direction of the association.

Only three independent variables were found to be statistically significant predictors of No Frills purchases at the .05 level. Household income was negatively correlated to the purchase of No Frills products. In other words, lower income households were more likely to purchase No Frills products than high income households.

Another independent variable that was a statistically significant predictor of No Frills purchases was the number of hours per week worked by the household member that did the majority of grocery shopping. The relationship was positive. This means that full-time employees are more likely to be purchasers of No Frills products than people who work part-time, or not at all.

The third variable that was found to be significant was the number of cars owned by the household. The relationship was positive, thus the owning of additional cars was associated with a higher incidence of No Frills purchasing.

Table 2 presents a summary of the findings. Taken in total, the variables included in Table 2 explain 46.5 percent of the variance in No Frills purchasing. The model, in total, was shown significant at the .01 level.

Analysis

Only three of the independent variables were found to be statistically significant predictors of No Frills purchases. It is not uncommon, however, in research designed to identify a market segment to find only a limited number of socio-economic variables statistically significant. Progressive Grocer reported that No Frills products are "the great

TABLE 2

Partial Correlation Coefficients for No Frills Purchases Model

Independent Variables	Partial Correlation Coefficients
Number of persons in household	-.095
Number of children in household	.321
Age of youngest household member	.226
Marital status	-.002
Age of head of household	-.007
Total household income	-.642*
Occupation of head of household	-.351
Employment status (worker or nonworker)	.013
Hours of employed per week	.806*
Number of cars	.759*
Education of head of household	.208
Proportion of purchases in Chain A	.010
Proportion of purchases in Chain B	.058
Proportion of purchases in Chain C	.064
Proportion of purchases in Chain D	.002
Proportion of purchases in Chain E	-.008
Proportion of purchases in Chain F	-.092
Proportion of purchases in Chain G	-.062
Proportion of purchases in other stores	-.059
Overall R^2	.465**

*Statistically significant at the 5% level.
**Statistically significant at the 1% level.

equalizers--they tend to transcend demographic differences."[8] A previous Progressive Grocer survey of No Frills shoppers did, however, verify this study's finding that lower households are more prone to purchase No Frills products.[9]

In the analysis of the results of this study, one needs to take into account some of the nonrepresentative characteristics of the population from which the same was drawn. The Fayetteville, Arkansas, community includes a relatively high proportion of students and retirees. Thus, the population sampled was not representative of most markets. Because of the impact of these special groups, care must be taken in extrapolating the results of this study to a larger population.

For example, our study found hours worked per week to be positively associated with the purchase of No Frills products. This result is surprising because most marketers assume that full-time workers are brand loyal because of a time constraint on their shopping behavior. Part-time workers, and housewives not employed outside the home, are usually thought to be more prone to "shop around" for better values because they have time to compare available products and brands. However, one must consider that retirees and students were included as respondents. Retirees and students obviously work fewer hours per week than many other groups. In addition, retirees and students have not been among the heaviest users of No Frills products due to long established purchase preferences or students purchasing "what Mom always buys." Thus, these groups may have had an impact on our findings. Had the study been conducted in an area that contains a smaller proportion of retirees and students, the results regarding hours worked per week might not have been significant.

In general, the study demonstrated that a readily identifiable market segment, based on socio-economic variables, does not exist for No Frills products. Previous studies conducted by Frank and Boyd reported a similar conclusion for private label grocery products. In their study, only: number of persons in family, age of female head, income, education, and store patronage were found to be statistically significant predictors of private-label purchases. It is important to note that the absolute magnitude of these variables was quite small. They concluded that:

> The socio-economic and total consumption characteristics of private-brand-prone households appear to be quite similar to those households whose members tend to favor manufacturer's brands.[10]

Our study has shown that the same can be said regarding the purchasers and nonpurchasers of No Frills products.

Conclusions

This study determined that, based on socio-economic variables, a readily identifiable market segment does not exist for No Frills grocery products. The large number of shoppers who are currently purchasing No Frills products do not seem to have a common set of socio-economic dimensions. A food marketer could easily be mistaken if he were to assume that any particular market was more prone to purchase No Frills products than another market. Food marketers need to thoroughly analyze the market before making a decision to introduce No Frills products.

Factors other than socio-economic variables must be considered. Our study indicated that a consumer's store loyalty might impact upon his propensity to experiment with (purchase) No Frills products. Perhaps research on the psychographics (lifestyles) and attitudes of the market, especially in terms of thrift-orientation, might make possible a better identification of that segment of the market which is most likely to purchase No Frills grocery products.

REFERENCES

[1]Charles G. Burck, "Plain Labels Challenge the Supermarket Establishment," Fortune, March 26, 1979, p. 70.

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[3]Ibid.

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[10] Ronald E. Frank and Harper W. Boyd, Jr., "Are Private-Brand-Prone Grocery Shoppers Really Different?" Journal of Advertising Research, 5, December 1965, p. 32.