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## CONSUMER ATTITUDES ABOUT NO REPRICING IN SUPERMARKETS

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## INTRODUCTION

In 1974 the price level for food as measured by the Consumer Price Index increased by 14.4 percent.<sup>1/</sup> During this period supermarkets received wholesale price increases on up to 800 individual lines of merchandise per week. In keeping with traditional practices the industry would pass the wholesale price increases to the consumer by pricing the new merchandise and existing shelf inventory to reflect higher wholesale costs. It was not uncommon during this period for consumers to find two, three, or more old price markings on an item replaced by a higher price.

This practice of repricing added to the apprehensiveness of consumers as food prices escalated. Repricing was considered by some consumers as an unfair pricing practice since the repriced inventory was purchased at a lower cost and this resistance led to an examination of the practice by the Federal Government. The Council on Wage and Price Stability conducted a hearing with consumer groups and supermarket industry officials in 1974 to determine the impact of repricing on the level of food prices.<sup>2/</sup> At the end of 1974 a total of 20 legislative bills on the issue of shelf inventory repricing were awaiting action by the Congress.<sup>3/</sup> Proposals in many states considered making it unlawful to increase the price on any item after it was price marked.

The purpose of this study was to determine consumer reaction to no repricing policies adopted in 1974 by a number of New Jersey supermarkets. The main feature of the no repricing programs was that the original retail price of an item would not be repriced to a higher

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<sup>1/</sup> Survey of Current Business, United States Department of Commerce, Social and Economic Statistics Administration, Bureau of Economic Analysis.

<sup>2/</sup> Robert Greenberger, "Admit Repricing Curbs Barren," Supermarket News, December 1974.

<sup>3/</sup> Ibid., p. 1.

price. Thus, customers could be confronted with more than one price for a particular item when price increases occurred. Also of major concern in the investigation was whether consumer shopping experiences were affected by the policy. A number of articles have recently appeared about <sup>4/</sup>supermarket pricing procedures, but they deal mainly with unit pricing.<sup>4/</sup> However, the area of no repricing has not been researched and reported in the literature.

## PROCEDURE FOR THE STUDY

### Sample Selection

A stratified random sample was used to obtain a representative cross section of New Jersey consumers. The stratification was based on population density, income, and geographical location. In selecting the sample the 567 municipalities of New Jersey were first ranked in descending order by population density. Then the 1970 census statistics were used to determine the percentage of New Jersey population which was urban, suburban, and rural. The breakdown was 24 percent urban, 60 percent suburban, and 16 percent rural. From these percentages it was decided to select four urban stores, six suburban stores, and four rural stores for inclusion in the study. Using the above proportions, a random sample was drawn with the requirements (1) that 50 percent of the stores were from the north region and 50 percent from the south region and (2) that 50 percent were in communities of above median income and 50 percent were below median income. After the municipalities were identified, stores were randomly selected to obtain a cross section representation of supermarket companies operating within the state that had a no repricing policy. A total of 14 stores were included in the sample.

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<sup>4/</sup> Included are J. Edward Russo, Gene Kreiser, and Sally Miyashita, "An Effective Display of Unit Price Information," Journal of Marketing, Vol. 39 (April 1975), pp. 11-19; Hans R. Isakson and Alex R. Maurizi, "The Consumer Economics of Unit Pricing," Journal of Marketing Research, Vol. 10 (August 1973), pp. 277-285; Kent B. Moore and Peter J. LaPlaca, "What are the Benefits of Unit Pricing," Journal of Marketing, Vol. 36 (July 1972), pp. 16-22; Michael J. Houston, "The Effect of Unit-Pricing on Choices of Brand and Size in Economic Shopping," Journal of Marketing, Vol. 36 (July 1972), pp. 51-54; T. David McCullough and Daniel I. Padburg, "Unit Pricing in Supermarkets," Search: Agriculture, Vol. 1 (January 1971), pp. 1-22.

## Design

The data for this study relies on customer's memory and a comparison is made of the responses of aware and unaware respondents. A more appropriate design would have been to select one set of stores with repricing and another set without repricing and then compare responses between similar groups. However, this approach was impossible as all chains in the state willing to participate in the study were using a no repricing policy by the time the study was conceived.

## Interview Procedure

Personal interviews were conducted at each of the selected supermarkets by enumerators during four days beginning on April 30, 1975. Shoppers were approached for an interview after shopping was completed because several questions referred to purchases on that specific shopping trip. A total of 503 completed interviews were obtained from the 14 stores.

## RESULTS

### Effect of No Repricing Program on the Shopping Experience

At the time of the interview each respondent was asked to consider various statements which represented areas of the shopping experience, which possibly could be affected by no repricing policies. The statements were designed to provide a measurement of how the policy affected attitudes toward the components comprising the shopping experience. However, when respondents gave their opinion they did not realize that the basis of the questionnaire was to measure the effect of no repricing, as "no repricing" was not mentioned at this point in the interview. A total of 20 different factors affecting the shopping experience were identified for evaluation and incorporated into the study. After obtaining readings on these factors each of the 503 respondents in the study was asked about their awareness of the no repricing policy in the store where the interview occurred. A total of 345, or 68.6 percent, were aware and 31.4 percent were not aware of the no repricing program. After questioning respondents about their awareness of the program the 345 respondents were asked to define the meaning of the no repricing program. A total of 326, or 94.5 percent, of the respondents defined the program accurately, while only 19, or 5.5 percent, of this group provided an incorrect definition.

### Consumer Opinions about No Repricing Program

A majority of the 326 aware consumers were of the opinion that the supermarkets included in the study followed the no repricing policy (Table 1). Approximately 76 percent indicated that the stores followed



the policy always or almost always. Nearly 11 percent stated that the policy was followed seldom or never, while some 13 percent expressed no knowledge about the program. Although the figures don't indicate belief in the total compliance program, it is evident that a majority believed that the program was being practiced as advertised by the stores.

Table 1  
Shoppers Opinions About How Supermarkets Followed the  
No Repricing Policy, New Jersey, 1975

Frequency	"Aware Respondents"	
	Number	Percent
Always	118	36.2
Almost always	131	40.2
Seldom	30	9.2
Never	5	1.5
Don't know	42	12.9
Total	326	100.0

A major factor in consumer acceptance of the program is whether the program saved money on the shopper's food bill. A total of 240, or nearly 74 percent, of the 326 aware shoppers indicated that in their opinion the policy did provide savings (Table 2). Only 15 percent of all shoppers indicated that the program was not a source of savings.

Table 2  
Shoppers Opinions on Savings from No Repricing Policy,  
New Jersey, 1975

Response	Number	Percent
Yes	240	73.6
No	49	15.0
Don't know	37	11.4
Total	326	100.0

### Impact of No Repricing Program on Shoppers Behavior

Shoppers were asked if they switched brands or flavors on the day of the interview due to price differences created by the program. The information on brand and flavor switching is shown in Tables 3 and 4. These questions were included since during a period of rising prices slow moving items could have lower prices than faster moving products and these price differences could result in brand switching or flavor or variety changes in a particular brand. In both cases approximately three-fourths of the shoppers indicated they did not change brands or flavors on that particular day due to the no repricing program.

Table 3  
Shopper Brand Switching on Interview Day Due to No  
Repricing Policy, New Jersey, 1975

Response	Number	Percent
Yes	88	27.0
No	237	72.7
Don't know	<u>1</u>	<u>.3</u>
Total	326	100.0

Table 4  
Shopper Flavor or Variety Switching on Interview Day  
Due to No Repricing Policy, New Jersey, 1975

Response	Number	Percent
Yes	66	20.3
No	257	78.8
Don't know	<u>3</u>	<u>.9</u>
Total	326	100.0

Another aspect of behavior was whether shoppers purchased different items or more of a particular item due to the no repricing policy. In this case, 80 percent indicated that they were not affected by the policy (Table 5).

Table 5  
Unintended Purchases on Interview Date Due to the No  
Repricing Policy, New Jersey, 1975

Response	Number	Percent
Yes	65	19.9
No	<u>261</u>	<u>80.1</u>
Total	326	100.0

#### Attitudes About No Repricing Policy

Respondents were asked to indicate the impact of no repricing on their shopping experience by rating each of the 20 attitude statements in terms of "more," "no change," or "less." Information in Table 6 shows the percentage of all respondents in each of these categories. An average rating was determined by assigning a value of 3 to "less," 2 to "no change," and 1 to "more." The sample was divided into respondents aware and unaware of the program to determine if attitudes of these two groups varied as to how the shopping experience was affected by the adoption of the program. The Chi square ( $X^2$ ) values in the far right column of Table 6 indicate if there were significant statistical differences in the number of responses in the three classifications between the aware and unaware respondents.

Significant differences existed for only 4 of the 20 statements. The aware group spent more time comparing prices between supermarket chains after the policy was adopted. The aware group also indicated more awareness of price changes in the store.

The other significant differences related to unit price markers. The aware group indicated that unit price information was more accurate after the no repricing policy was in effect and that unit price markers were easier to use compared to the non-aware group response.

Even though the Chi square values were not significant, there were some large differences in the percentages in some of the classifications. This is particularly evident on some price related statements. For example, 69.0 percent of the aware group compared to 60.5 percent of the unaware group spend more time comparing prices. A larger proportion of the aware group (45.1 percent vs. 33.9 percent) also spend more time comparing prices between supermarket chains. The aware group was also more aware of price changes in the store than the unaware group as the percentages were 76.7 and 67.8, respectively.



Table 6  
Effect of No Repricing on Shopping Experience as  
Determined by Selected Factors, New Jersey, 1975

Statements	Percentage of Respondents			Average Rating	Chi Square <sup>a/</sup>
	More	No Change	Less		
1. Awareness of price changes in this store					
Aware group	76.7	20.9	2.5	1.3	
Unaware group	67.8	31.1	1.1	1.3	7.14*
2. Time spent comparing prices					
Aware group	69.0	27.3	3.7	1.3	
Unaware group	60.5	34.5	5.1	1.4	3.79
3. The number of price specials offered					
Aware group	47.5	44.5	8.0	1.6	
Unaware group	48.6	41.8	9.6	1.6	.57
4. Time spent comparing prices between super- market chains					
Aware group	45.1	49.7	5.2	1.6	
Unaware group	33.9	63.8	2.3	1.7	10.09*
5. Value of price specials					
Aware group	43.6	45.1	11.3	1.7	
Unaware group	35.6	51.4	13.0	1.8	3.01
6. Time spent collecting groceries					
Aware group	39.6	52.5	8.0	1.7	
Unaware group	33.9	61.0	5.1	1.7	3.88
7. Value of coupons offered by this store					
Aware group	32.8	55.5	11.7	1.8	
Unaware group	29.4	62.1	8.5	1.8	2.40
8. Time spent in the store					
Aware group	30.7	58.0	11.3	1.8	
Unaware group	32.2	57.6	10.2	1.8	.23

See footnotes at end of table.



Table 6 (continued)

Statements	Percentage of Respondents			Average Rating	Chi Square <sup>a/</sup>
	More	No Change	Less		
9. Number of coupons offered by this store					
Aware group	29.9	50.3	9.8	1.7	
Unaware group	32.9	51.4	10.7	1.7	.24
10. Orderliness of items on shelves					
Aware group	27.0	67.8	5.2	1.8	
Unaware group	27.7	68.9	3.4	1.8	.88
11. Confidence that price marked on items is correct					
Aware group	27.9	54.0	17.8	1.9	
Unaware group	24.3	60.5	15.3	1.9	2.40
12. Ease of using unit price markers					
Aware group	27.0	66.9	6.1	1.8	
Unaware group	14.1	80.8	5.1	1.9	11.77*
13. Accuracy of information on unit price markers					
Aware group	23.0	71.8	5.2	1.8	
Unaware group	12.4	82.5	5.1	1.9	8.40*
14. Time spent waiting in line at checkout stand					
Aware group	19.9	65.6	14.4	1.9	
Unaware group	22.0	65.5	12.4	1.9	.57
15. Frequency of merchan- dise rotation					
Aware group	19.0	78.8	2.1	1.8	
Unaware group	15.8	80.2	4.0	1.9	2.03
16. Number of items out of stock					
Aware group	17.2	72.7	10.1	1.9	
Unaware group	19.2	67.2	13.6	1.9	1.95

See footnotes at end of table.

Table 6 (continued)

Statements	Percentage of Respondents			Average Rating	Chi Square <sup>a/</sup>
	More	No Change	Less		
17. Ease of following a shopping list					
Aware group	14.4	81.6	4.0	1.9	
Unaware group	12.4	81.9	5.6	1.9	1.02
18. Time spent waiting in line for checkout clerk to verify prices					
Aware group	8.9	81.0	10.1	2.0	
Unaware group	7.3	82.5	10.2	2.0	.36
19. Ease of using sales slips to verify prices					
Aware group	8.3	88.7	3.1	1.9	
Unaware group	7.3	90.4	2.3	1.9	.44
20. Number of checkout errors					
Aware group	1.5	85.0	13.5	2.1	
Unaware group	3.4	81.9	14.7	2.1	2.05

<sup>a/</sup> The Chi square test was used to determine if there were significant differences between the aware and unaware groups in the three categories of "more," "no change," and "less."

\* Significant difference at the 5 percent level.

#### Importance of Comparative Ratings

The previous section was concerned with the relative importance of changes in each of the identified variables. This section is concerned with the importance of each of these statements to the consumer. Information in Table 7 shows the percentage responses in each of the 1, 2, and 3 importance ratings for various statements. A "1" rating indicates that the statement is unimportant, a "3" is important, and "2" indicates a lesser degree of importance or unimportance.

The data was analyzed using the Chi square test to determine if differences in the percentages between the aware and unaware groups in the three categories were significant. An average rating was subsequently calculated to provide another means of comparison.

Table 7  
Importance of Statements Relating to No Repricing  
Program, New Jersey, 1975

Statements	Percentage of Respondents (Ratings)			Average Rating	Chi Square <sup>a/</sup>
	(Unimp.)		(Imp.)		
	1	2	3		
1. Time spent in the store					
Aware group	13.2	12.3	73.9	2.6	
Unaware group	18.1	17.5	64.4	2.5	6.63
2. Time spent comparing prices					
Aware group	6.4	10.4	82.5	2.8	
Unaware group	16.4	10.2	73.4	2.6	13.69*
3. Time spent collecting groceries					
Aware group	9.8	17.5	72.1	2.6	
Unaware group	18.1	20.9	61.0	2.4	10.02*
4. Time spent waiting in line at checkout stand					
Aware group	11.0	11.0	77.3	2.7	
Unaware group	17.5	13.6	68.9	2.5	6.38
5. Time spent waiting in line for checkout clerk to verify prices					
Aware group	22.4	21.2	55.8	2.3	
Unaware group	24.3	28.2	47.5	2.2	5.22
6. Time spent comparing prices between super- market chains					
Aware group	24.2	13.2	62.0	2.4	
Unaware group	34.5	14.7	50.8	2.2	8.03*
7. Awareness of price changes in this store					
Aware group	2.1	12.3	85.0	2.8	
Unaware group	8.5	14.7	76.8	2.9	13.02*

See footnotes at end of table.

Table 7 (continued)

Statements	Percentage of Respondents (Ratings)			Average Rating	Chi Square <sup>a/</sup>
	(Unimp.) 1	2	(Imp.) 3		
8. Confidence that price marked on items is correct					
Aware group	3.7	10.1	85.3	2.8	
Unaware group	4.0	8.5	87.6	2.8	2.05
9. The number of price specials offered					
Aware group	8.0	10.1	81.3	2.7	
Unaware group	9.6	10.2	80.2	2.7	1.46
10. Value of price specials					
Aware group	9.5	8.6	81.3	2.7	
Unaware group	11.3	10.2	78.5	2.7	1.87
11. Number of coupons offered by this store					
Aware group	23.6	13.5	62.3	2.4	
Unaware group	18.6	14.7	66.7	2.5	2.85
12. Value of coupons offered by this store					
Aware group	23.3	12.0	64.1	2.4	
Unaware group	18.6	15.8	65.5	1.8	3.56
13. Accuracy of information on unit price markers					
Aware group	39.0	16.3	44.2	2.1	
Unaware group	56.5	10.2	33.3	1.7	15.26*
14. Ease of using unit price markers					
Aware group	39.6	17.5	42.3	2.0	
Unaware group	59.9	12.4	27.7	1.7	19.71*
15. Orderliness of items on shelves					
Aware group	8.3	17.5	73.6	2.6	
Unaware group	6.8	18.6	74.6	2.7	1.52

See footnotes at end of table.



Table 7 (continued)

Statements	Percentage of Respondents (Ratings)			Average Rating	Chi Square <sup>a/</sup>
	(Unimp.) 1	2	(Imp.) 3		
16. Number of items out of stock					
Aware group	8.9	18.1	72.4	2.6	
Unaware group	12.4	13.6	74.0	2.6	3.97
17. Frequency of merchandise rotation					
Aware group	17.8	22.7	58.9	2.4	
Unaware group	29.9	22.6	47.5	2.2	11.50*
18. Ease of following a shopping list					
Aware group	28.2	21.2	50.0	2.2	
Unaware group	33.9	24.3	41.8	2.1	4.45
19. Ease of using sales slips to verify price					
Aware group	39.0	22.1	38.3	2.0	
Unaware group	38.4	20.9	40.7	2.0	1.33
20. Number of checkout errors					
Aware group	14.4	11.0	73.9	2.6	
Unaware group	16.9	9.0	74.0	2.6	2.01

<sup>a/</sup> The Chi square test was used to determine if there were significant differences between the aware and unaware groups in the three categories.

\* A significant difference.

With the exception of the statement about the value of coupons offered by the store, most of the average ratings were about equal between the two groups. As would be expected, prices were important to consumers. Statements with a high level of importance were for awareness of price changes and confidence that the price marked on the items was correct. Price special offerings were also highly important to shoppers as both the value of specials and the number of specials had average ratings of 2.7 with a maximum value of 3.

Time spent comparing prices, time spent waiting in line at the checkout stand, orderliness of the shelves, number of items out of stock, and number of checkout errors were also important to consumers. All of these factors had an average rating of at least 2.6 by both groups.

Statements of slightly lesser importance were time spent in the store, time spent collecting groceries, and number of coupons offered by the store. Of lesser importance were time spent comparing prices between chains, time spent waiting in line for checkout clerk to verify prices, and frequency of merchandise rotation.

Factors of less importance to consumers were ease of using a shopping list, ease of using sales slips to verify prices, and value of coupons offered by the store. The unit price marking system was least in importance as demonstrated by the low average ratings for accuracy of the unit price markers. People who were unaware of the no repricing system also indicated they placed less importance on the ease of using unit price markers.

#### SIGNIFICANCE OF NO REPRICING

No repricing was positively received on the part of consumers and the level of awareness was high. Favorable reaction was largely due to the fact that consumers thought that the elimination of repricing was a source of savings in a period of increasing prices. Even though consumers were favorably disposed to the program, there was little evidence that the shopping experience was affected. There were no indications at the time of the interview that flavor, brand, or variety switching occurred due to price differences created by no repricing.

The data indicated that aware and unaware respondents perceived little difference in the actual shopping experience as measured by the factors which were potentially affected by no repricing. Thus the program was to a large extent cosmetic in nature. It did serve a function of diminishing consumer resistance in a period of increasing prices. For this reason companies faced with frequent price increases might consider the adoption of no repricing policies.

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