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Business concept as a relational message: supermarket vs independent grocery as competitors for sustainability

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Abstract

The paper deals with a new competition situation between a large consumer co-operative and a very small local food shop as its rival. While both businesses are selling food, their business concepts look very different. These concepts are analysed as ideology, identity and shopkeeper/retailer speech. The results show the deep cutting change in trade introduced by the small food shop as concern for sustainable food system and social relations as resources for new community building, suggesting conditional possibilities for further business growth. The large retailer has problems in answering the challenge as its concept seems to exclude concern for food system, the trade includes economic interests and rather negligible social relations. In principle, the small contender could succeed in expanding its business model through staying small and proliferating, supporting small farms' economic viability. The large retailer could succeed by investing in launching more local and organic produce and thereby developing both primary production and processing capacity in a lagging rural region. The study shows the importance of the business concept as a condition and limitation for further growth.

Introduction

As a commercial enterprise, the supermarket has proved to be a global success. The business concept aims at the best edited choice of (convenience) food for consumers at (most) affordable prices while yielding the highest return per shelf unit for the retailer. Today, the major retailers encounter increasingly tougher mutual competition, shrinking turnovers and consumer interest for more 'sustainable food', which has also kick-started new entrants such as organic retail chains in the market, signalling possible structural changes in the 21st century.

This generic pattern is visible in Finland, where the major player has a market share of 46% along with lesser retailers and emerging independent groceries. In this market situation, a small food shop has emerged in a seemingly saturated market, representing different features from its large and dominating counterpart. This paper analyses the major retailer and its independent rival in terms of their business concept as a relational message promoting local and organic food. The paper discusses the position of consumers and suppliers and speculates on the challenge of the alternative newcomer for major retail. The paper draws on retailer interviews and observations of the shopping space.

Data and method

The data include interviews conducted in 2014 with the regional consumer co-operative retail manager, responsible for choice editing of retail outlets, and the two independent grocery managers owning and running the local food shop in the rural town. The retail outlets were also observed in terms of space, range of selection, and consumer behaviour. Furthermore, the interview with the Senior Selection Manager and the one with Environmental Officer of the national consumer co-operative, conducted in 2009, support the strategic approach of the centrally led consumer co-operative. Each of these interviews took from one to two hours and they follow the principle of in-depth interview, or ethnographic interview, allowing the interviewees to express themselves as they choose, in interaction the

interviewer as someone who represented herself as a 'knowledgeable' discussant (Fontana and Frey, 1998). The topics discussed were current situation of the business, its problems and solutions as well as future views.

The interpretation of the data has been done in terms of retailer's and shop keeper's relations with their suppliers and customers as the interviewees address them. In particular, the relations are studied from the point of view of views and concerns for the sustainable food system (Hughner et al, 2007), social identity and forms of belonging (Murdoch, 2006), as one aspect of 'network society' (Castells, 1997). The network analysis reflects business concepts of the retailer and the shop keeper; what kind of position can they offer for their suppliers and customers. Therefore, the shop can be seen as a site established for actual social relations within the food chain.

Results

The independent retailer/shopkeeper

Business development

The food shop was initiated from within a popular community supported agriculture (CSA) activity held up by a group of farmers and inhabitants of a rural town. There were more incomers to the group than could be welcomed; however, simultaneously it was also difficult to find persons responsible for taking care of the distribution of and payments for the products. As the 'retailers' work' became visible and 'not wanted', the group dissolved. The future shopkeeper was 'angry' when no one was willing to support her in this shared effort of holding up the CSA activity but later came to the idea that she herself might create a job for herself, as one line of adult education was coming to an end. The start-up received plenty of support by different public advisory services and funding bodies, and eventually found a suitable location in the immediate vicinity of down town square in a dilapidated industrial building. The initial selection consisted of the core products sold in the CSA group and new products were screened in other similar shops and were offered by producers in the region. The start-up grew nicely and invested in interior renovation and displayed its celebration of fresh local food through its neon sign on top of the high building.

Ideology repertoire

The business concept aimed to offer an alternative to large supermarkets, kind of a 'more ethical food shop'. The selection represents a wide range of food items but not in line with the 'supermarket' but with what is 'sensible', by supporting economically viable region and 'jobs for us' and by selling food without 'a lot of poisons and such'. The shopkeeper felt empathy with producers who found it difficult to meet the requirements of official certification processes so the shop sold not only organic food but non-certified organic food too, food from the province and food from small producers elsewhere in Finland. The agricultural and certification bureaucracy was seen to benefit large companies and to exclude small actors: 'The small producers are killed by the bureaucracy' albeit they would offer the best and local products. In principle, no imported meat was sold because 'immensely good products exist in the vicinity and we rather sell them than Brazilian organic ones.' The big companies dump the prices and prevent small actors from getting a suitable compensation for their costs, so many have made an exit. Those who have survived have made big investments in equipment, to be appreciated. The entrepreneur disparaged cheap meat like products which were dumped with 'stuff' of all kinds. The intensive food production, the embodiment of which was 'softybroiler', was not taken into selection as the shopkeeper did not want to support that kind of production. Other similar food products unaccepted by the entrepreneur were Norwegian salmon and tuna, which were consumed in the mass market. Furthermore, other domestic birds such as ducks and geese were a lot 'more ethical'. An aspect of excessive mileage was also understood as an obstacle for a food item to be included in the selection, particularly if a similar product was available in the vicinity. No shelf payments or other methods of squeezing value from the retailer position were used. Finally, no contracts were made but all products were sold in 'trustful' relations. Lots of collaboration with businesses with similar ethos such as local restaurants was underway, as well as with health and women's organizations and home economic teachers.

The customers were people who are ill, have problems with allergies and additives, and who appreciate good food. These people like to eat healthy food and cook from authentic ingredients. The customers were offered a different world of food shopping instead of the stressful 'ordinary pattern' where you go 'with a crumpled face to the supermarket after working hours.' The selection was meant to offer an authentic and coherent range of products as 'a customer cannot read the package labelling for several minutes'. The prices were reasonable unlike in an elitist food shop.

Identity repertoire

The shopkeeper was well placed in the networks of local and domestic producers many of whom came to offer their products to be sold in the shop, even for free as a trial, and by similar prices they received at supermarkets. Furthermore the producers co-transported their products to the shop to save the food shop's costs. The customers brought examples of good products and gave guidance where to procure for these. Replacement for unacceptable but ubiquitously sold food items such as Norwegian salmon and tuna were local cold smoked pike and salmon and also an item from Åland islands. People cannot eat chicken any more as they have been nudged to consume that 'softybroiler'. But there are new developments underway with some producers so we are soon able to offer our customers organic chicken. The shopkeeper also made efforts to contact all the roughly 50 producers to look for regular items into the shop. Some of the producers and customers were actually like friends, changing information about their everyday businesses and family situations over the counter which extended the time for economic exchange.

Shopkeeper repertoire

The growth seemed positive to the entrepreneur, during economic recession, as the first customers came from the CSA group as well as new ones entered, regularly buying their everyday food in the shop. However, more customers were seen to be welcome as growth was needed for economic viability. The aim was to run the business as a 'serious food retailer' by which all the food items for everyday life could be purchased and to serve customers who come after 'good food'. The customers were 'nudged' and educated about the local food quality, its seasonal and eventual availability as well as price. The shop also offered recipes for cooking, offered Asian specialties grown in Finland and celebrated products displayed in the entrance of the shop on the 'exclusive' table. The shopkeeper offered a site free for a local butcher to do business on the premises to enable the customers to encounter producers. Traditional products such as tongue and blood were sold exclusively there. A few products such as 20 different honeys were offered in abundance and part of these had to be rejected due to limited demand. Some products were purchased from the wholesalers due to lack of local produce, to keep up a selection needed by customers. The selection had developed to a certain level whereby the minimization of unsold items became topical, because it effected on the price level. Some products in the shop were cheaper than the ones at the wholesaler, telling about the viability of the business concept mainly consisting of three actors, the producer, the shopkeeper and the customer. The options for expansion were tangible as the shopkeeper was asked to establish similar shops elsewhere in Finland; however, she felt that it was necessary to strengthen the current foothold in this rural town.

Consumer co-operative manager

Business development

The consumer co-operative has a long history in Finland, constructed in the wave of the British counterpart, and consolidated during the 20th century to the central co-operative of its regional co-operatives. Late in the second half of 20th century, the co-operative lost market shares as an old-fashioned and fragmented business, after which it 'pulled itself together' by organizing centralized procurement and unified appearance with the 'everyday low prices' strategy. Furthermore, category management (choice editing) was seen as crucial in the 80's and in the 90', business intelligence and space management became the keys to success. The current market share of the co-operative is 46% in the Finnish food market, which also has raised criticism about lack of competition and interest in negative publicity. The regional co-operatives can choice edit their selections according to local demand from the national selection, and

currently c. one fifth of selection is dedicated to local produce, interpreted in broad regional terms. The co-operative has very good basis for further developments and looks towards future with assurance.

Ideology repertoire

The consumer co-operative has the inherent responsibility for the consumer – the owner of the co-operative – which makes the choice editing entailing price strategy the most important tool for satisfying customers. Clearly the co-operative ideology carries democratic and leftist notions of ‘little people’ who have to be able to buy reasonable priced food. Furthermore, the products may not represent elitist connotations and the service has to be the same for everyone. As intelligible, the loyalty card system matches well with the idea of co-operative people joining together to unite their forces and to create a business of their own. The co-operative has been able to offer its members and other customers a huge selection which also accords with the local taste. The success of the business is reflected in the bankruptcy of competitors. The collaboration with the American business intelligence company offers unique possibilities to govern the returns for the shelf space. The success has added ‘capitalistic’ shade into the business, adding a taste of economic ‘clout’ to the organization as the prime national investor in the food business.

Identity repertoire

The manager was well aware of the retail power of the co-operative and its competitive position among its large rivals. The position as the head of the national selection board was very satisfying and supported strong understanding about the consumer wants and needs as they were changing. However, the business intelligence also exactly disclosed the consumer preferences which had to be obeyed; a successful product has to stay in the selection. The manager also felt that as they were in some villages the only food retail outlet, they had a particular responsibility for the selection; they represented not only ‘food security’ but ‘everyday security’. Even here, the promise of low prices was realized. The consumer-member had the power, but was known not in personal terms but as the result of the shopping behaviour, whether accumulated or more individual. As an important businessman in the region, the manager knew others whose success was admired by him. In particular, it was satisfying that pizzas were exported to Italy. However, the manager recognized that most food processing industries did not locate in the region but were beyond its borders. Furthermore, those in the region did not represent high-tech industries. Lagging rural region seemed also to reflect the future of the regional co-operative as it meant rural depopulation. The manager had had his hand in some successful local product development as he had advised a particular farmer to focus on processing instead of trying to take care of primary production, processing, marketing and transport. The success of the enterprise was a good example of future direction. The manager also understood that small local producers were not to be put into competition between one another but they were given strict volumes to be sold in particular ‘vicinity’ outlets.

Retail outlet repertoire

However, recent stagnation in growth has caused more attention to competition between the retail chains and solutions were identified in trends of local and domestic food as well as an increase in emphasis of quality of food. The situation also seemed to call for management of customers in the way that they had to made aware of local products, clearly on display, and some additional ‘tricks’ were needed in customized way in different retail outlets. This business intelligence understanding meant a secure prospect towards future, also supported by retailing ‘solo’ in some districts and appealing to summer residents and tourists through sophisticated outlet designs. Furthermore, more emphasis was needed in the achievement of the personnel, as they could have an impact on sales through their personalities. As an example, organic sales had doubled in a particular outlet due to the outlet manager’s interest in and efforts in marketing organic food.

Discussion

Concern and social mobilization

Particularly the shopkeeper, with the CSA group of people as well as small farmers seemed to express the social mobilization for 'alternative food', depicted in many ways as the difference between organic and conventional (Beus and Dunlap, 1990; Atkins and Bowler, 2001). The resistance towards 'big' businesses, bureaucracy and food technology was visible as support for small scale producers (Goodman and Redclift, 1991), living in the region (Abrahams, 1996), although exact terminology and particularly the learning of the 'real' hygienic quality of the local produce was not evidenced. This suggests to some extent a shade of romantic outlook to agriculture rather than proper sustainability orientation, which looks into scientific interpretations. However, the incremental approach by the business to growth and its imaginative approach can connect it with sustainability (Dryzek, 1997).

The co-operative understood itself as the guarantor of the quality of the products in its selection and therefore the concern for pure food seemed as an overreaction; the suppliers were not seen as capable but rather undeveloped; there was no topical potential in the quality of local and organic food. Rather, the co-operative offered security against ungrounded high price levels and thus supported economic security of its members by bonuses and other more temporary price level arrangements. As the customers represented all citizens across income levels, there was no possibility to address a social class issue either, but the convenience and accessibility became important aspects of the shopping experience. The customers represented 'all different eaters' just happening to share the same space and looking for feeding themselves.

Community building

The emotionally loaded approach by independent grocery's owners and clientele served as a basis of building a modern 'food community', offering additionally social warmth into economic exchange. This exchange made everybody 'somebody', it gave ingredients to work one's relations with food, its producers and sellers, which took place on 'one plane', where equals met each other. Shopping food became a social experience and also one of learning of 'rural realities'. This kind of community can be understood as a late modern example of a topical network, struggling to express itself by words and deeds connected – instead of disconnected (Chouliaraki and Fairclough, 1999).

The regional co-operative's 'community' seemed to represent a politically 'old-fashioned' movement in its new form of consumer discretionary choice for economical food, connected with the bonus principle of trade. The concern for pure food and good food was clearly not seen to be felt that strongly among customers, for whom the local and organic food were 'trends', to be followed as an economic must rather than created by the retailer. This left the encounter between the farmer and the consumer, as buttressed by the retailer, in the same state as were the encounters with other (global) producers; the main message was the package. Therefore, there seemed to be little potential in this community building as the competition in the market actually meant that being a customer to a retailer was an operation of one's own best choice, leaving customers highly individualized and simultaneously unknown by each other and the retailer.

Conclusions: Commercial potential

Currently, the shopkeeper's future seemed promising and the view of expanding to other locations quite feasible. This business model has, however, some conditions; there has to be a group of customers 'aware' of and interested in an alternative food shop, which can be connected with local producers. They also need to represent people able to and dedicated to cook their meals, a seemingly a lost skill reviving again. The small farms' future is uncertain in the 'double squeeze' but has found solution in local and particularly organic production (van der Ploeg, 2006). The hygienic quality still remains an issue and may need more attention in order not to risk the business concept. Furthermore, the 'new community', as part of networks (Castells, 1997), demands in principal a limited clientele and number of suppliers, in order to cultivate the actors' social relations as sources for personal growth. One aspect of equality between the suppliers, shopkeepers and customers appears to be their broadly similar income level rendering them 'citizen-consumers' rather than elitist persons (Spaargaren, 1997). If these factors could be multiplied in personal ways in new

outlets, the small food shops could proliferate across the country, making a moderate change into the competitive balance between the retailers.

Albeit the thought of the small food shop as the rival of the large retailer seems almost absurd, it could be a sign of changing times. The retailer has difficulties in almost all the aspects important for the newcomer in the market. The co-operative's view on concern regarding food system is negligible; their mechanism of community building – that is the loyalty card – is based on economic benefits without social warmth; their outlets lack personal interiors and repeat the effective display of huge but more anonymous products. However, if the co-operative would be able to support the launch of local and organic products, offering some emphasis on them in the selection by committed personnel, future turnover of these categories could be stronger and the competition with the small rival more effective. However, this turn needs to deal with the logic of income generation of the large retailer; the best profit may not be due to the local and organic food. The future terrain would suggest more modest profits and limited growth of global trade for the co-operative, some growth for the small food shop and its likes but in both trade scenarios better times for local and organic food suppliers.

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