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# Nontraditional Retailers Are Challenging Traditional Grocery Stores 

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Traditional grocery stores, such as supermarkets, smaller full-line foodstores, and convenience stores, are competing increasingly with other nontraditional retail outlets that offer many food and nonfood products typically found in grocery stores.

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These nontraditional retailers are capturing a growing bite of grocery products sales. Food sales by nontraditional retailers amounted to $\$ 64.9$ billion in 1997 compared with sales of $\$ 37.7$ billion in 1992, a 72percent increase. Over the same period, food sales by traditional retailers grew 15 percent to $\$ 308.8$ billion. As a result, the share of total retail food sales accounted for by traditional foodstores declined from 87.7 percent to 82.6 percent during 1992-97.

Food sales by nontraditional retailers are expanding as the Nation's shops, stores, and mail order outlets seek growth opportunities while providing greater convenience to consumers. The range of foods offered varies greatly, however, with candy, gum, and beverages common to many retailers. Full-line grocery products are found in many general merchandise outlets, including discount/mass-merchandise stores and warehouse club stores. Other outlets, such as drug-

Figure 1
Food Is Sold Everywhere Among the Nation's Retailers

stores, gasoline stations, department stores, and sporting goods stores, have introduced an increasing array of packaged and canned foods. Mail order retailers offer specialty foods
not often found in traditional foodstores. More food is being sold through vending machines and by home delivery retailers. As a result, the availability of packaged food
products has become almost ubiquitous among the Nation's retailers.

Foodstores-traditional grocery retailers having 50 percent or more of sales from food products-remain

Table 1

## Food Sales by Nontraditional Retailers Have Grown

| Item | 1992 |  | 1997 |  |
| :---: | :---: | :---: | :---: | :---: |
|  | Retail food sales | Share of total retail food sales | Retail food sales | Share of total retail food sales |
|  | Thousand dollars | Percent | Thousand dollars | Percent |
| Traditional retail foodstores: |  |  |  |  |
| Supermarkets | 197,042,608 | 64.346 | 222,002,648 | 59.415 |
| Convenience stores | 14,674,422 | 4.792 | 14,216,118 | 3.805 |
| Other grocery stores | 41,445,824 | 13.534 | 50,331,234 | 13.470 |
| Specialized foodstores | 15,314,558 | 5.001 | 22,230,000 | 5.949 |
| Total | 268,477,412 | 87.673 | 308,780,000 | 82.639 |
| Nontraditional retail stores: |  |  |  |  |
| General merchandise stores- |  |  |  |  |
| Department stores | 255,000 | . 083 | 244,000 | . 065 |
| Discount/mass-merchandise stores | 7,724,000 | 2.522 | 26,336,000 | 7.048 |
| Variety stores | 740,000 | . 242 | 896,000 | . 240 |
| Warehouse club stores | 7,166,000 | 2.340 | 7,964,000 | 2.131 |
| Other general merchandise stores | 893,000 | . 292 | 795,000 | . 213 |
| Other stores- |  |  |  |  |
| Auto and home supply stores | 13,794 | . 005 | 18,339 | . 005 |
| Drugstores | 3,603,546 | 1.177 | 5,007,000 | 1.340 |
| Eating and drinking places | 771,709 | . 252 | 923,000 | . 247 |
| Furniture stores | 84,692 | . 028 | 133,280 | . 036 |
| Gasoline service stations | 8,567,422 | 2.798 | 10,398,000 | 2.783 |
| Hardware stores | 28,668 | . 009 | 34,089 | . 009 |
| Lawn and garden supply stores | 27,154 | . 009 | 41,331 | . 011 |
| Miscellaneous stores- |  |  |  |  |
| Book stores | 9,014 | . 003 | 14,270 | . 004 |
| Florists | 31,124 | . 010 | 44,116 | . 012 |
| Fuel dealers | 15,714 | . 005 | 20,011 | . 005 |
| Gift, novelty, and souvenir shops | 140,351 | . 046 | 198,938 | . 053 |
| Hobby, toy, and game shops | 187,780 | . 067 | 266,165 | . 071 |
| Jewelry stores | 18,103 | . 006 | 25,660 | . 007 |
| Liquor stores | 1,098,404 | . 359 | 1,234,000 | . 330 |
| Pet shops | 1,517 | . 000 | 2,150 | . 001 |
| Sporting goods stores | 24,029 | . 008 | 36,780 | . 010 |
| Tobacco stores and stands | 28,356 | . 009 | 41,140 | . 011 |
| Nonstore retailers- |  |  |  |  |
| Catalog and mail order | 736,000 | . 240 | 1,008,000 | . 270 |
| Vending machine operators | 2,478,627 | . 809 | 4,133,700 | 1.106 |
| Direct sales (mobile, door-to-door) | 3,104,373 | 1.014 | 5,052,300 | 1.352 |
| Total | 37,748,377 | 12.327 | 64,867,269 | 17.361 |

[^0]the single most important retail food segment. Among foodstores, supermarkets were the primary source of retail food sales, with 57.8 percent of the total in 1997. However, the supermarket share has declined from its 64.3-percent share in 1992 (fig. 1 and table 1). Only specialized foodstores, such as meat and seafood markets, retail bakeries, and produce markets, managed to gain sales share over the 5 -year period.

Nontraditional sources of retail food products vary in the types and sizes of outlets and extent of food offerings. Their share of total retail food sales rose from 12.3 percent in 1992 to 17.4 percent in 1997. What's more, the nontraditional segment is the fastest expanding source of retail food sales, gaining 12.2 percent in 1997 over 1996 compared with an increase of 2.2 percent for traditional grocery stores.
According to the Census of Retail Trade, some food (including candy, gum, and nonalcoholic beverages) is sold in almost every type of retail outlet, ranging from auto supply stores to sporting goods stores (table 1).
A major contributor to the expansion of nontraditional retail food sales has been general merchandise
retailers including mass/discountmerchandisers and warehouse club outlets. Nontraditional retailers, such as Wal-Mart, K-mart, and Target, and warehouse club operators, such as Costco, Sam's (a division of Wal-Mart), and BJ's, operate stores that often exceed 100,000 square feet of floor space. Massmerchandiser outlets typically offer packaged foods and some frozen foods, along with general merchandise items. In 1988, Wal-Mart opened its firsts supercenter, featuring 36 general merchandise departments plus an expanded grocery area to rival food departments found in many supermarkets. Since then, outlets with a grocery area similar to supercenters have been developed by other mass-merchandise firms, such as K-mart and Target Stores. As a result of new and remodeled store openings, the number of supercenter-type outlets totaled almost 600 in 1997. From 1992 to 1997, food sales by massmerchandise retailers surged 26.6 percent, while supermarket sales fell 1.7 percent, after adjusting for inflation. As a result, nontraditional outlets captured 17.4 percent of total retail store food sales in 1997, up from 12.3 percent of sales in 1992.

Nontraditional outlets are also challenging grocery stores' sales of nonfood items, such as paper products, soaps, and detergents, and personal care products, which amounted to an estimated 24 percent of sales, or $\$ 97.6$ billion, in 1997. As grocery retailers have expanded their nonfood offerings to include floral items, pet supplies, prescription drugs, and video rentals and sales, for example, they have encountered increasing competition from a wide range of retail outlet types, including drugstores, mass-merchandise stores, and warehouse club stores. Comparable nonfood products sales by mass-merchandise retailers and warehouse club stores amounted to an estimated $\$ 62.8$ billion in 1997. Differences in the mix of nonfood products offered in other retail outlets makes sales comparisons with grocery stores more difficult and subjective. Nevertheless, nonfood products typically sold in grocery stores are available to varying degrees in many other retail outlet types, providing added sources of competition. Food sales have spread to other retail outlet types as well, in a similar pattern to nonfood products.


[^0]:    Sources: Census of Retail Trade, Merchandise Line Sales, 1992; "U.S. Food Expenditures," USDA's Economic Research Service, 1998; and ERS estimates.

