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SEEKING 500 MEMBER STORES

New Supermarket Panel Launched

- ▶ *Retail companies need to learn to manage a portfolio of stores with a variety of formats.*
- ▶ *Successful retailers continually benchmark their operations with other operators, both direct competitors and all others.*
- ▶ *People in the industry are asking for the kind of information this panel will produce.*

In response to these and other emerging concerns, The Retail Food Industry Center has launched the Supermarket Panel to identify the most successful management practices in different operating environments and various competitive situations.

Unlike current industry research, which collects information at the company level, information for the Panel will be gathered at store level. The Panel will gather information annually on a "panel of stores," thus enabling the Center to track how the rate of change affects performance and customer satisfaction.

Information on facilities, operations, human resources, management practices, and financial performance will be combined with market-share and census data for each store's market. Using the Panel, the industry will be able to quantify the rate of return from different initiatives as diverse as computerized inventory replacement and frequent-shopper programs. By having the information at store level, it will be possible to control for critical variables, such as store facilities and the competitive operating environment, when explaining success.

The Panel will provide information that is immediately useful to participants and to the food retailing industry. It will not duplicate information that is available elsewhere. Confidential reports sent back to participating stores will be prepared in a manner that best meets the store's needs. The reports will provide comparisons of each store to all participating stores as well as to a group of "peer" stores of a similar size, similar market share, and industry-share group. Peer stores could also be members of a wholesale/cooperative advertising group. No individual store or company will be identified

in any report, explained Jon Seltzer, Corporate Resource, who is Project Manager of the Panel.

The Panel's objectives are:

- To provide industry leaders with an early warning about innovations and issues germane to industry performance and direction.
- To establish long-term, comprehensive, and high-quality data on the practices and performance of the supermarket industry from which changes can be tracked against a benchmark.
- To link store performance to efficiencies in the distribution channel and relationships with suppliers and customers.

Members of the TRFIC Board of Advisors, retailers and industry experts have participated in the design of the Supermarket Panel. The Panel Data Summary Sheets are very complete, making them an excellent check list for managers.

Plans are to launch the Panel in early June and gather information annually from more than 500 representative supermarkets. The size and scope of this project is possible because of funding from the Alfred P. Sloan Foundation. This funding enables the Panel to look more deeply and over a longer period than does most research.

Jon Seltzer's more than 15 years of food industry experience in corporate planning and government relations has provided critical linkage to the industry in the Panel's design phase.

"The Panel has been designed to be immediately useful to retail participants," Mr. Seltzer said, adding that "The Panel will collect important information at store level and combine it with information from other sources. Retailers will not be asked to provide information that can be obtained elsewhere."

For information about how your store can join the Panel, contact Jon Seltzer [phone: 612-938-6886; fax: 612-935-8159; or e-mail: seltz004@tc.umn.edu] or Jean Kinsey, Director of TRFIC [phone: 612-625-2744]. ●



Jon Seltzer



Jean D. Kinsey

DIRECTOR'S NOTEBOOK

At the Summit

Every spring the Alfred P. Sloan Foundation calls a meeting of the Sloan Industry Study Center Directors. The thirteen Sloan Industry centers

are located in ten different major universities from MIT, Harvard, and the University of Pennsylvania on the East Coast to Berkeley, Stanford, and the University of California-San Diego on the West Coast. Each Center studies a different industry from automobiles to construction. Ours is the only one that studies food.

During the first week in April, I joined Ben Senauer of our faculty and two graduate students, Sara Ashman and Stacie Bosley, at the Centers' 1998 meeting in Berkeley. We heard about the labor conditions and employee practices in the trucking industry, the re-engineering of the steel industry, customer satisfaction with retail banks, and quality control in pharmaceuticals. We learned that some industries are "turning green." They are spending money on new technology for more environmental-friendly processes and products, rather than hiring lobbyists to help limit environmental regulations. Sara Ashman reported on our survey of

convenience grocery stores' practices and performance.

This brief sampling of the findings reported at the conference provides an idea of the range of subjects covered by the Sloan Centers. The common theme running through their research is not subject but method. The detailed examinations of each industry are built on primary data gathered from the plants or stores, employees or customers of the industry itself. The Sloan Foundation believes you must directly interact with decision-makers in the industry itself to study it.

New Long-term Study

At the Retail Food Industry Center we are launching a major long-term study of the supermarket industry. The Supermarket Panel (See story on Page 1.) will gather information annually from a panel of supermarkets (the same stores) across the nation, in order to link the type of facility to management and labor practices, financial performance, and customer satisfaction. By tracking changes over time by store type, we will learn "what works" and what directions the industry is going. This will immediately benefit the participating stores as well as the overall industry. It will help all of us understand how this vital and dynamic sector of our economy remains efficient and competitive and continues to provide us with such a large variety of food and service. ●

CALENDAR ALERT

Going for Gold! Building Winning Food Marketing and Sales Strategies. A short course at the Earle Brown Center, St. Paul Campus, University of Minnesota, June 2-3. The program, offered by TRFIC and R-TECH Laboratories, a business unit of Land O' Lakes, Inc., will cover practical skills to enhance new product success. For more information, call Mavis Sievert: (612) 625-7019.

Managing the Total Store: A Leadership Course. At Riverwood Conference Center near Monticello, Minnesota, June 21-25. This program, offered by the Food Marketing Institute (FMI) and TRFIC, will focus on developing effective supervisory and managerial skills. For more information, call Faith Murrell at FMI: (202) 429-8460.

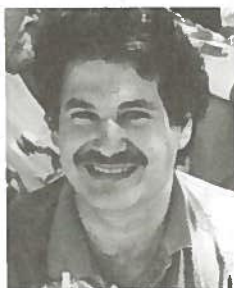
Frontiers in Food Marketing. The 39th Annual Conference of the Food Distribution Research Society, Monterey, California, October 25-28. The Society serves as a forum for professionals from universities, government, and business to study and discuss issues relating to the food industry worldwide. Dr. Ted Labuza from the University of Minnesota's Food Science and Nutrition Department and Dr. Ron Larson from TRFIC are scheduled to speak. For more information, visit the Conference Web Site: <http://fdrs.ucdavis.edu> or call Dr. Roberta Cook at the University of California, Davis, (530) 752-1531.

BEING NICE TO MOTHER NATURE

Food Retailers Do Well by Doing Good

Are environmental practices just a necessary evil of doing business in the United States? Or can environment-friendly practices be good for the bottom line? A national survey suggests the answers are "no" and "yes."

Conducted by the Food Marketing Institute (FMI) with the help of TRFIC researchers Brian Spielmann of the Garuda Research Group and Dr. Alfie Marcus of the Carlson School of Management, the recent study indicates that supermarkets with the best environmental practices had higher unit store sales and lower energy consumption. Benefits for leading environmental stores included: lower operating costs, increased customer retention, positive publicity, increased customer satisfaction, and better employee morale. Environmental leaders said they were able to obtain distinct



Brian Spielmann

competitive advantages through their environmental programs.

In summer of 1997, the FMI sent 812 surveys to members to identify environmental practices, education needs, sources of environmental education, general business practices, and obstacles to implementing future environmental practices. A total of 108 companies representing 5,810 stores responded to the survey.

Environmental practices included in-store recycling, energy and refrigeration management systems, lighting programs, and reduction of waste and hazardous materials. The most common were recycling of corrugated cartons, wooden pallets, and aluminum cans, carrying products made from recycled paper, using energy efficient lighting, and sending food to food banks. A few firms were composting organic material, calculating energy budgets by department, collecting data on waste generation, and providing environmental reports to managers.

Supermarkets were classified according to the scope of their environmental

practices. Stores with the highest environmental score also had the highest rating in the general business practice categories.

For a copy of Report on Environmental Practices, contact the FMI at (202) 452-8444 and ask for Product Number 1046. ●

Interns at the FMI Convention

Three graduate students involved with TRFIC programs, Sara Ashman, Stacie Bosley, and Kristin Digiulio, served as convention interns at the 1998 Food Marketing Institute (FMI) Supermarket Industry Convention and Educational Exposition on May 3-5 in Chicago. They acted as activity coordinators and troubleshooters and assisted the FMI staff to make the convention a success. They also helped with the TRFIC exhibit at the FMI show and met many food industry leaders at the workshops and around the convention floor.

New Findings by our Graduate Students

Paul Phumpiu interviewed managers from 40 Minnesota stores in his study of the adoption of technologies and business practices associated with the Efficient Consumer Response (ECR) initiative. Three of his key findings were:



Paul Phumpiu

1. Location:

On average, metro and out-state stores differ little with respect to store size or the adoption of technologies that support the ECR initiative, but metro stores are more likely to coordinate replenishment, assortment, and pricing activities with outside trading partners.

2. Chains vs. independents:

Stores that are part of chains, especially large corporate chains, are making faster progress toward implementing ECR ini-

tiatives than are single stores. However, three independently-owned single stores were among the most innovative in the sample. In these stores, it appeared that a visionary owner/manager was able to quickly respond to new opportunities.

3. ECR and performance: Stores that had made the most progress in adopting ECR technologies and business practices had dramatically higher sales per square foot and inventory turnover.

Paul reported the results of his work in his dissertation. Much of his research is summarized in TRFIC Working Paper 97-01. Paul returned to Peru, his home country, and is currently an associate professor at the Pontificia Universidad Catolica del Peru, where he teaches and conducts research on the economics of business organizations.

Robert Johansson worked with Dr. Jay Coggins and Dr. Ben Senauer on a study

of the wage structure in the supermarket industry. Using data from the 1984-1993 to explain wage levels, Robert and his colleagues found that increased union penetration into a local labor market tended to boost the wage rates in both the non-union sector and the union sector.



Rob Johansson

This research was also the subject of Robert's Master's Thesis and will be a future TRFIC working paper. Robert received his Master's Degree from the University of Minnesota in 1997 and is currently pursuing his doctorate at the University of Minnesota with a focus on environmental and development economics. ●

DID YOU KNOW?

Food Industry News by the Numbers

- New food and nonfood product introductions decreased 1.3 percent in 1997. New Product News tracked 12,398 new food introductions and 6,929 new nonfood introductions during 1997.
- Food and drink sales in restaurants this year will be up 4.7 percent over 1997, according to the National Restaurant Association. Total spending will likely reach \$336.42 billion in 1998. The fastest growth is expected in colleges and universities with food contractors (\$4.99 billion, up 7.7 percent), retail-host restaurants (\$15.23 billion, up 6.6 percent), social caterers (\$3.19 billion, up 5.6 percent), and clubs, recreational and sporting-community centers (\$3.03 billion, up 5.6 percent).
- More people are eating out. The Food Institute estimated 1997 food expenditures at \$709.2 billion, up 2.6 percent since 1996. Food-at-home (e.g., purchases at supermarkets) represented 54 percent of the spending, and food-away-from-home (e.g., purchases at restaurants) represented 46 percent. This compares with 69.3 percent for food-at-home and 30.7 percent for food-away-from-home in 1977.
- Washington, D.C., residents like to eat out. According to the National Restaurant Association, households in Washington, D.C., spent 50.8 percent of their food budget on food-away-from-home. Per capita food-away-from-home spending was highest in the Northeast (\$699) and lowest in the West (\$640), but among cities, the nation's capitol ranked number one (\$1,047). The Association's analysis of 1995 data also showed that higher earnings mean more meals away from home. Households earning \$70,000 or more accounted for 28 percent of food-away-from-home spending, although they comprised only 13 percent of all households.
- Comparing the performance of departments in conventional supermarkets, the FMI's 1996-1997 Operating Results of Independent Supermarkets report shows the highest sales per labor hour were in dairy (\$338.91) and frozen food (\$278.26), while the lowest were in the service deli (\$34.75) and scratch/bake-off bakery (\$30.46). Conversely, the highest gross margins were in the bakery (41.3 percent) and service deli (38.4 percent) and the lowest were in the dairy (21.1 percent) and grocery (19.6 percent) departments.
- Nonfatal occupational injury-and-illness rates in eating-and-drinking places decreased by 30 percent between 1992 and 1996. The National Restaurant Association reports there were 9.1 cases per 100 full-time employees in 1992, and 6.2 cases in 1996. There were 7.4 cases of nonfatal injury or illness per 100 full-time employees in all private industry during 1996.

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