The Retail Food Industry Center
Advancing Knowledge About Processing, Distribution, Sales, and Food Service

TRFIC NEWSLETTER

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WHAT CUSTOMERS REALLY WANT

The TRFIC consumer survey, Part 1

What are consumers looking for in a grocery store? Why do they shop at one store rather than another? In discussions with TRFIC's Board of Advisors, we learned that too often, retailers provide what they think consumers want, only to discover that consumers are not willing to pay for it. In response, TRFIC developed a research initiative to find out what really drives consumers' store choices. The first step involved designing and conducting a nationwide telephone survey of 900 households (and another 300 in Atlanta) in the summer of 1999.

In the survey, shoppers were asked to rate the importance of more than 30 factors in choosing a store for four different types of shopping trips; stock up, fill-in, ready-to-eat/take out, and special occasion. To make sense of this mass of information, we have provisionally identified six different groups of shoppers, constructing six typical shoppers based on group averages. This article focuses on the stock-up trip.

Ben Senauer

Nikolaos Katsaras

Paul Wolfson

All agree that **cleanliness and sanitation** is the single most important consideration in choosing a store for stocking up. **Quality of fresh meat,** and **quality of fresh produce** come next. Prices are apparently less important. For groups comprising about 60% of shoppers, price rates just above the middle among decision-making factors. Even for those which rank it higher, price is still no more than the fifth or sixth in importance.

Beyond this point, there is much less agreement, and shoppers show marked differences in their preferences.

The largest group, comprising 20 to 25% of sample households, places high value on **the shopping experience.** They look forward to running into friends and acquaintances at the store, appreciate an atmosphere that invites them to browse, and enjoy having a place to sit and eat.

The second type, at just above 20% of households, is in some ways the exact opposite of the first. These shoppers care very little about the shopping experience—and apparently do not feel strongly about other factors either. The only item they rate higher than average in importance was the quality of fresh meat.

The third category, nearly as large as the second, stresses **selection and quality.** They are drawn by the **selection of natural and organic foods, selection of environmentally friendly products,** and the **quality of perishable deli/take-out items.** They also emphasize **safety from danger and crime, selection of dairy products,** and **selection and quality of fresh produce.**

The fourth group, at about 15% of the sample, wants a **comfortable, cozy shopping environment.** While they do not value low prices more than other types of shoppers, they do take **advertised specials, customer loyalty programs** and **bagging and carryout services** more seriously.

The fifth category, comprising another 15% of those surveyed, seeks **selection of alcoholic beverages,** and **ethnic foods.** These people approach grocery shopping as a form of entertainment, valuing a place to sit and eat, exciting atmosphere, and social environment with people they know—although not necessarily people like themselves. Safety, the quality of personnel, and convenience, aside from the availability of **other services (pharmacy, bank or video rental),** are not of particular concern.

The responses of the sixth group, about 7% of households, indicate a desire to spend as little time as possible shopping. The shopping experience is of minimal importance to them—what they want is **convenience, safety, low prices** and **fast service.**

Our next step will be to explore these results further, relating them to other variables like income and household structure, and to examine the responses for other types of shopping trips. Ben Senauer, Paul Wolfson and Nikolaos Katsaras, a master's degree student in Applied Economics, are the researchers involved in this project. ■

DIRECTOR'S NOTEBOOK by Jean D. Kinsey

High-tech Food Fear

One cannot attend a meeting in my profession these days without discussing the topic of genetically modified (GM) food. Food retailers, restaurateurs, food manufacturers and farmers all worry about whether consumers will buy food containing GM ingredients. Consumers are asking what's in it for them and why should they take a risk with no known benefit. Government agencies are debating whether there is any danger to human health or the environment, and if so, how to regulate and/or label products.

High tech food has taken on new meaning with the rapid development of biotechnology and genetically engineered seed, feed and food. Last year it was estimated that over 70% of the food we eat contains some type of ingredient that has been genetically engineered, to the mounting concern of some consumers and retailers.

Consumers, spurred on by Greenpeace and other activist groups, have voiced concern about the safety of bioengineered ingredients in their food and some retailers, particularly in Europe, have decided not to sell foods containing genetically modified substances. French-based Carrefour's announced they will substitute non-GM ingredients in their own products where they can, and that 90% of their own brand food would be labeled "GM-free." English-based Sainsbury, and Mark's and Spenser announced early in 1999 that all of their house brand food would be "GM-free." England's Tesco will label all of its own products that contain genetically modified ingredients. Tesco acknowledged that guaranteeing "GM-free" is problematic because separating and preserving the identity of GM and non-GM crops across all production lines is a process that is not well developed in the traditional methods of selling and processing grains.

Is this an overreaction? The human health concerns about GM foods seem to be limited to the possible introduction of allergens (from milk, eggs, nuts, wheat) into other types of food, or the possibility that marker genes containing ampicillin could raise antibiotic resistance in humans as they pass from animal feed to meat to consumers. These could be important issues to some people. The U.S. Food and Drug Administration (FDA), after much debate, has taken the stance that GM foods are as safe as traditional foods, unless they are shown to contain toxins or allergens, alter nutritional qualities, or transfer antibiotic resistance to humans or animals used for food. Foods are evaluated on a case-by-case basis.

Mandatory labeling is still under debate as to whether it should be "positive" (saying this food might or does contain GM ingredients) or "negative" (saying this food does not contain GM ingredients). Most believe that the negative label is clearer and more useful to consumers.

Jean D. Kinsey

American Consumers

American consumers are less concerned with GM-food than their European counterparts. Three separate consumer surveys were recently conducted on acceptance of GM food in the U.S. One is by the International Food Information Council (IFIC) in Washington D. C., one by the Gallop Poll and one for the Grocery Manufacturer's of America (GMA). About 75% of U.S. consumers were aware of the issue, and 49-53% said they would buy GM foods. In the GMA study, over half of consumers said they would buy GM food if they saw a benefit to it. For example, 79% prefer GM food if it has fewer pesticides, 66% if it is more nutritious, 61% if it tastes better and 47% if it is less expensive.

According to the GMA study, the most trusted sources of information about GM food for consumers are medical groups, government agencies, independent scientists, or farm groups. Least trusted are protest groups (Greenpeace), grocers and food manufacturers. In other words, the food industry has no more credibility on this issue than the protesters.

Scientists are continuing to make progress with GM technology to improve crops, minimize the use of cross species (transgenic) methods, and improve the health-promoting characteristics of food. But in the market place, it is a game of wait and see. Like any other new invention, GM foods have to prove themselves to the public.

For more detail on consumer surveys contact J. Kinsey at jkinsey@tc.umn.edu ■

Announcement

Thursday, May 11, 2000
Austin Sullivan, Vice President, General Mills, Inc.
Chairman, Biotechnology Task Force Grocery Manufacturers of America
Earle Brown Center, Room 42—2:00 to 4:30 p.m.

Highlights of New Working Papers

Human Resources

In *Workplace Organization and Human Resource Practices: The Retail Food Industry* (WP 00-01), Avner Ben-Ner, Fan Min Kong, Stacey Bosely and others examine workplace organization and tasks, and human resource management practices in Minnesota companies. At firms in the retail food industry, employees generally perform simpler, more repetitive tasks, have less autonomy on the job, and fewer incentives tied to results than in other industries. Whether business strategy or technology determined this result is unclear, as is which came first: simple tasks, workers' skill levels or human resource policies.

Natural Foods

Nessa Richman examines potential pitfalls for grocery stores trying to expand their natural foods offerings in *The Growing Natural Foods Market: Opportunities and Obstacles for Mass Market Supermarkets* (WP 00-02). From a survey of food industry firms, she identifies seven serious obstacles, including uncertainty about the evolution of standards concerning natural foods, and the difficulty in sustaining links between the natural food and mass markets due to different business practices. She recommends changes for both business and government to solve these problems.

Wages and Employment

The growing practice of eating out has reduced wages in grocery stores, while increasing those of higher paid restaurant workers. John Budd and Brian McCall conclude this after examining changing consumer behavior on wages and employment in the retail food industry. Their analysis is in *Decomposing Changes in Retail Food Wage Distributions, 1983-1998: a Semi-parametric Analysis* (WP 00-03), a companion piece to their WP 99-04.

Touch Before You Buy

People touching peaches: JoAnn Peck and Terry Childers study how touching produce affects purchases in *Point of Purchase Signs, Impulse Purchases, and Individual Differences in the "Desire to Touch"* (WP 00-04). One practical conclusion: to stimulate spending signs should encourage judging quality by handling the merchandise rather than by visual examination.

Slotting Allowances

The growing phenomenon of "slotting allowances", a fee that retailers charge to stock a new product, is attracting considerable scrutiny. In *Slotting Allowances: Empirical Evidence on Their Role in New Product Launches* (WP 00-05), Akshay Rao and Humaira Mahi report that slotting allowances are charged by relatively large retailers who can forecast the success of a new product more accurately than the manufacturer. This contradicts a variety of hypotheses about slotting allowances.

As soon as working papers are printed, they may be ordered for $22.50 per copy. Abstracts are available immediately on our Web site, trfic.umn.edu. Ninety days after working papers are in print, they will be available in their entirety on our Web site, and can be downloaded in pdf (Acrobat) format at no cost. To obtain an order blank, contact Mavis Sievert at 612-625-7019.

NEW STUDY EXAMINES

How today's shoppers shop

Ever wonder what influences how much a household will spend at the grocery store, or what days of the week they shop, or how many dollars they spend in a department?

In a study addressing these and other questions, Sara Ashman, a PhD student in the Department of Applied Economics, analyzed the purchases of 2,000 households from one grocery chain over a six-month period. Ashman's study examined:

- **Household shopping characteristics:** Dollars spent, units purchased, number of trips to the store, markdown dollars saved and day of the week shopped
- **Demographics:** Household income, number of adults in household, presence of children, and age and gender of the primary and secondary adults. (The primary adult is the first adult listed in a household's data; the secondary adult is the second.)
- **Store environment:** Size of store, how crowded the store was, and store services offered, such as floral department or pharmacy.
- **Competitor environment:** Distance from the household to the nearest store versus the closest major competitor's store.

Her statistical analysis indicates (surprise!) that households with children are likely to spend more at a retailer, while households with older adults are apt to spend less. In terms of store environment, households that shop a store with a floral department or a store that is open 24 hours, spend more than households that shop stores without these services. In addition, the closer a household is to a retailer's store, the more the household will spend there, but households that shop a crowded store spend fewer dollars than households shopping less crowded ones.

Sara Ashman

Is Monday's shopper fair of face, while Tuesday's shopper is full of grace? While the data are not that detailed, Ashman has discovered some interesting patterns of shopping by day of the week. People who shop on Monday, for instance, are more likely to be back in the store spending money on Thursdays than any other day of the week. Weekday shoppers generally make their return trips on other weekdays, while Saturday and Sunday shoppers prefer to shop strictly on the weekend. (See table below.)

	M	T	W	Th	F	Sa	S
M	●			○			
T		●	○				
W		○	●	○			
Th	○		○	●	○		
F				○	●		
Sa						●	○
S						○	●

What determines how many dollars a household will spend in a department? Bakery purchases are influenced by floral purchases. Stores that are open 24 hours sell less dairy. Higher income households spend more in the deli. Older secondary adults make more floral and produce purchases, while older primary adults make fewer frozen food purchases. Households purchased more from the grocery department in stores that bag groceries.

This work is part of Ashman's dissertation, which focuses on customer loyalty programs. It will be summarized in future TRFIC working papers. ■

DID YOU KNOW?

- A Canadian researcher has identified a gene that determines whether an individual likes to eat nearby or travel a bit first. While the individuals in question are fruit flies, geneticists suspect that humans have a similar gene that influences eating behavior. Most flies (called rovers) prefer to travel, but will stay put if there is an appetizing morsel nearby. (Source: Science (8/8/97, p. 834). See also)

- Wal-Mart's U.S. revenues equaled nearly 5% of total retail spending in the U.S. in the year that ended on January 31, 2000. This was a 20% increase over the year before, and followed increases of 17% and 12% over the previous years. Last year, Wal-Mart built 157 supercenters, which are especially profitable, and is anticipating about the same expansion this year. (Source: NY Times, 2/16/00)

- The food making up a single bite for a Tyrannosaurus rex, it was speculated, would feed a human family of four for an entire month.

- Between 1980 and 1998, total grocery store sales doubled from $206 billion to $415 billion per year. Over the whole period, the figure for eating and drinking establishments nearly tripled, from $90 billion to $247 billion. Between 1990 and 1998, the increase for grocery stores was 19%, vs. 30% for eating and drinking establishments. (Source: Statistical Abstract of the U.S.)

- There are about equal numbers of overweight and underfed people in the world, according to the Worldwatch Institute's "State of the World 2000": about 1.2 billion people in each category. Those in the overweight category are eating too much or too much of the wrong food and have become "probably the fastest-growing group of the malnourished." Overlapping both of these groups is a third category which contains about two billion people; these are the "hidden hungry", who may appear to be well fed but are weakened by a shortage of essential vitamins and minerals. (Source: NY Times, 01/17/00)

- According to the Worldwatch report, poverty, rather than food shortages, is the main underlying cause of hunger. 80 percent of all malnourished children in the third world in the last decade lived in countries that reported food surpluses. (Source: NY Times, 01/17/00)

- Aquaculture is now one of the fastest growing sources of protein, expanding at 10 percent per year. Output more than tripled between 1984 (the first year global aquaculture statistics were compiled) and 1996, from 7 million tons worth $10 billion, to 23 million tons valued at $36 billion. In 1995, an estimated 20 percent of fish consumed worldwide were raised on a farm, compared to just 8 percent in 1984. (http://www.enn.com/enn-features-archive/1998/07/071098/fisheries.asp)

- WATER CONVERSION: A cow must drink 3 gallons of water to make 1 gallon of milk. It takes 50 glasses of water to grow enough oranges for 1 glass of orange juice. It requires 122 gallons of water to produce 1 loaf of bread. (Source: Web site of the Snohomish Cty, WA, Public Utility District)

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