Food Distribution Research Approaches for The 1970's

Food Retailing Beyond the Supermarket

Food 70's

Dr. Daniel I. Padberg
Associate Professor
Department of Agriculture Economics
Cornell University

The "Ultramarket" is presented as the future step beyond the supermarket

Beyond The Supermarket

If we are to be forward looking at all, it is absolutely imperative to look beyond the supermarket. The supermarket has been one of the more successful phenomena of the distribution industries this century--perhaps for all time. As such we have loved it, and defended it. We have explained it and worshipped it. It has come to be synonymous with food retailing. This is where we are going too far. Food retailing involves some very specific and ordinary functions. It does not require supermarkets. It is only our post-war economic and cultural situation that has brought the supermarket into focus. History may record the supermarket period as strictly coincident with the post World War II suburban expansion.

It seems very appropriate to take the blinders off and look at food retailing on a functional basis. What kind of jobs have to be done, in what kind of setting? This is a little bit like studying ecology. The economic environment provides an opportunity for various structural or institutional prototypes to emerge and grow. As this economic environment changes certain institutional patterns are stimulated while others are suppressed. It is my purpose today to ask some questions about where our economic environment is taking us. In view of these directions what kind of changes must food retailing firms anticipate?

Is The Supermarket The Ultimate?

The major change in demographic features of the post-war period was the rush of population to a suburban setting. This coincided with rapidly rising incomes and the very broad and almost universal availability of automobiles. By either sheer genius or remarkable coincidence, the food industry had a startling prototype available and tested that just fit this demographic evolution--the supermarket. It fit this evolution for several reasons. It concentrated a great deal of food shopping at one location which was compatable with the automobile. It was efficient so people could save time and money by going to supermarkets as opposed to the other alternatives. It provided a pleasant shopping experience for the house-bound suburban housewife. It required a lot of space--but then the suburbs contained a lot of space. In these spacious settings the suburbanite's automobiles could be conveniently accomodated. By concentrating large volumes of business and by requiring the consumer to do more of the work, the new supermarkets made good use of their people and equipment and lowered the costs of food marketing. All in all the supermarket was a beautiful accomodation of the characteristics of the suburban setting. From the very outset, however, it did not fit the urban setting.

While the supermarket has been developed and has evolved substantially from its early introductory features, it still is linked with suburban living. During the post-war period we have invested very little in the inner cities. As a population, we hate the inner cities. They have become physically and idealogically a bad place to live. Everyone who can has escaped this bad place. In this process the food industry did well by having an institutional prototype well suited for the suburbs.

As we look to the future, what kind of demographic shifts, trends and evolution might we expect? It is very clear the suburban sprawl will continue to grow, the major changes, however, will be in the evolution within the inner city. Many people talk about building low income housing in inner cities. I think this is a mistake. The communities which will be built in the inner cities will be high in density and very expensive. They will be occupied not by low income people but by higher income people. The low income families will follow, wave on wave, pushing towards the suburbs. As the inner cities are bulldozed down and expensive high rise communities develop, a significant part of our population will be moving back to the center city. These will be the swingers. They will be moving back for the convenience of being where the action is. How are we going to provide them with an opportunity to purchase food?

The natural reaction under these conditions is to build a supermarket --probably without a parking lot. It makes no sense to do this. We only do it because we don't know anything else. We aren't willing to look at this question broadly. A very strong and impelling need at this point is to give careful consideration to this new market setting and this different type of consumer and to develop a new institution for providing food buying services.

As we give consideration to the possibilities of new institutional arrangements for food retailing, we must take into account the fact that capabilities have changed substantially in the last couple of decades. We can automate the flow of information with computers. We can automate physical goods handling in many ways. If we started at the drawing board and assembled information about the high density urban market of the future and the technical capabilities of the industry, what type of retailing arrangement might best bring these two together? It is very clear that it is not a supermarket. Exactly what the system might look like, however, it not so easy.

The Ultramarket

While it is hard to define the ultramarket precisely, we may begin by identifying some things it is not. It is not a shopping place as a supermarket was, involving a parking lot, where people go to buy food. We do not have the space in the urban high density setting to accomodate this. The cost of space for moving that many automobiles through any arrangement is prohibitive. It is not a self service operation. The present food retailing arrangement involves assembling tons and tons of food which must be heated, cooled, guarded, cleaned and financed--simply to stimulate purchase decisions. We must find a way to make the purchase decision independent of physical goods handling. Until this is done neither of these functions can be automated.

It is not of social significance to customers. The supermarket has been a pleasant outing for the housebound suburbanite. Since this woman lives several miles from any scene of action, she is generally bored and needs some place to go. In the urban setting, however, residents have selected themselves for these high density communities because they are people who want to live close to the action. The action may be civic activities, it may be commercial employment, it may be asthetic involvment--whatever it is, they didn't go there to sit within four walls. They're on the go. They do not need a shopping trip to reduce their monotony. In fact the priorities on their time, associated with their increased activity schedule, leads to the requirement for convenience. The ultramarket must fulfill this need.

Against these ecological constraints, what type of organization might the ultramarket take. We might try to list some of the things that it would have to have. In the first place, it will have to have delivery. If we can't get the car to the distribution point, we must have delivery. The housewife certainly isn't going to carry all that stuff. In terms of the purchase decision, the primary requirement is to get the information into a machine processable form as quickly and easily as possible. It also may be assumed that the purchase decision is made where people are, whereas the order filling or goods handling functions would probably occur where the trucks are. Therefore, the purchase decision and the order filling will be in different locations. From this point on we have to see the ultramarket through our own imagination.

This is about the way I would imagine the ultramarket might work. Mary Smith lives in an apartment in greater New York City. Her husband works full time and she works about half time. She rides a rapid transit system a few blocks from her high density apartment community to her job in Manhattan. On this particular day she needs to do some food shopping, but fortunately it modifies her normal activities only very modestly. During her coffee-break she gets on the elevator and goes ten floors up to a part of the ultramarket, which we might call a selection parlour. This is a small but graciously appointed setting overseen by one hostess. Mary moves quickly through the three aisles selecting what might look something like gasoline credit cards from their arrangements on shelves. On these small pieces of plastic are representations of various products.

Mary selects a rib roast, specified for six servings, three frozen vegetables and some frozen orange juice concentrate, several non-food items, a loaf of bread, a box of milk, several canned food items, two large heads of lettuce and two bell peppers. All in all there are 32 plastic cards she has selected. She puts them, along with her credit card, into a special machine which reads the information. While this machine works pretty well--it is designed to be used by amateurs--the hostess helps her get everything submitted correctly. After a seven minutes ultramarket shopping trip, Mary gets back on the elevator and goes down to continue her coffee-break.

In the meantime the order is assembled and bank balances are appropriately adjusted. Mary's credit card contained information which tells the ultramarket system which one of the seventeen distribution depots should be activated in response to this order. Geographically these depots are located in the parts of town where trucks are more common than people. If we looked in at this distribution depot we might see the following scene. The dry groceries and non-food items are brought to the point where orders are assembled automatically. Perishable items including bread, milk, meat and produce are put up by hand. Orders are filled in three containers with common numbers. Room temperature items are kept separately, refrigerator temperature items put in another container and frozen items in yet another. The butcher does not cut any meat except in response to actual orders that flash on his electronic indicator.

Eleven minutes after Mary processed her cards, the order was in line at the delivery queue. It sat there another eighteen minutes waiting for a truck bound for its particular destination of six high rise apartment buildings. Mary's apartment happened to be the fourth stop on the delivery route which had taken another 30 minutes (bringing the total system time to about one hour). At this point the order was deposited in the receiving area of her building, adjacent to the elevator. Facilities were available for keeping each part of her order at the right temperature. The order waited there another five hours until Mary came home. An attendent at the receiving area presented the groceries to Mary and helped her put them on the elevator. The thing that Mary liked best about the ultramarket was that it took almost none of her time.

In planning the ultramarket there is a great deal of room for different people's imagination. My foremost hope is that we learn to think of food retailing function s in possibilities beyond the supermarket. Many people want to have the shopper using the ultramarket through the phone system from her home. My imagination doesn't work that way for two reasons. In the first place she doesn't want to stay home. Shopping may be just as convenient or more convenient in locations near where she wants to go and be. In the second place we need a very reliable way to get information in to the electronic system. The selection parlour and product representations with positive machine-readable information is much more likely to achieve this imperative.

The Challenge of The Future

In considering some of the possibilities of the ultramarket, we might simply point out that the supermarket is a highly developed--even perhaps over-developed--institution. It is on the very high levels of its growth curve. Changes and evolutions in the institution will be small and probably not very profitable. The reason is that we've done our thing with supermarkets. That need has been filled. We caught up with that challenge in the late 50's and early 60's in most markets. Industry profits have been depressed ever since. Against the competitive pressures readily observable in the food distribution industry, I would expect profit rates to remain at a competitive level until some innovative direction comes to this industry. When I look at the demographic changes most likely in the near future, I would expect the ultramarket to be the next major breakthrough in this industry.