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Industry Reactor:

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A study of retail food store formats requires a definition of "format" that goes beyond store size, product mix, or atmosphere. It is a study of the inter-relationship and inter-dependence of dissimilar retailing programs. As such, the topic is about seeking a co-equilibrium from the following two points of view:

- a) economic equilibrium - between stores, for profitability - internal to business management
- b) psychological equilibrium - between consumers' needs, for market stability - external to business management

Involved in establishing equilibrium is the notion of opposing forces . . . of tension, like the Chinese philosophy of the yin and the yang. Several of these exist, of which I put forth three:

- a) convenience of location vs. market segmentation
- b) shopping goods vs. convenience goods
- c) one-stop shopping vs. clarity of offering

Each of these market tensions is especially put to bear on the discussion of format choice for a new store or a re-positioned one. In these cases, implicitly, there is an assumption of latent demand. By definition, latent demand is untapped, unexpressed, and it is usually not articulated by consumers. Therefore, all research into new formats must be a matter of inference.

Using a very simple model of consumer behavior, let's review the complications of researching and understanding the forces that mitigate for or against various format strategies. The model is:

Consumer Store Choice Behavior =
f (Situation, Individual)

Much research about formatting, i.e. market segmentation, concerns the individual. Such research typically focuses on consumer demographics, psychographics, or lifestyle analysis. This research assumes that there is some intrinsic quality (genetic or cultural) that a certain type of individual possesses in order to have a stronger propensity to prefer a certain type of store. The notion involves consumers' self-actualizing goals.

The other part of the model involves the situation which is generally thought to reflect only the competitive line-up of stores and store formats. Situation, however, has another dimension.

Shopping by every person varies, depending on the individual's situational need, condition, or unique happenstance at the time of store choice decision. Every shopper exhibits at least four types of shopping circumstances:

- a) time-bound buying
- b) stock-up shopping
- c) special occasion purchases
- d) immediate consumption needs

Each of these has a different frequency as well as a different set of "background" motives

(convenience, economizing, self-expression, or hunger).

Choosing a store format is a matter of seeking a new equilibrium . . . one that will be profitable to the new store as well as defensible. A major part of success involves selecting the right site, i.e. satisfying the consumers' convenience need . . . the drive to minimize shopping difficulties. Another aspect of the research problem involves balancing consumer types (demographics, etc.) and situational needs. Heretofore, the latter has largely been ignored, and it is a fruitful area for further research. It is not consistent with empirical observation to consider individuals nor their situations as normally distributed. The success of retail format marketing . . . of establishing a new, profitable, stable equilibrium depends on understanding the trade-offs.