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SUPERMARKETS' PLACE IN SERVING CONSUMERS' NEEDS TODAY AND 1985

by
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Stresses keys to the successful operation of conventional markets in the next ten years.

The conventional supermarket will serve the food distribution industry well for many years to come. Just as specialty stores, convenience stores, and superstores have their niche in the market place, so does the conventional supermarket.

Let me give you some information about our company so you can develop some perspective for this discussion of the conventional supermarket. All I have to offer you are opinions and experience, and certainly what I know best comes from my own background. Piggly Wiggly Southern, Inc. operates 55 supermarkets in South and Central Georgia. Fifteen of these stores are located in small metropolitan areas, and the rest in population centers of 20,000 people or less.

All of our stores are "conventional" supermarkets. They vary in size from about 7,000 square feet to 30,000 square feet. There are only two stores with less than 10,000 square feet. It is our opinion that 22,000-28,000 square feet is probably the most desirable size for a conventional market in our sphere of operations and based on our merchandising philosophy.

We do not have "standard" stores. Obviously, there are many similarities

between stores of recent origin, but we have not used standard plans for either building size or departmental layouts.

Our typical market is arranged with the meat department across the rear of the store and produce along the incoming aisle or the outgoing aisle. Location of the frozen food department varies depending upon the location of produce, but it usually appears adjacent to the produce department. The dairy department is also located in the same general area of the store as the produce department. Health and beauty aids are assigned one entire side of a floor gondola and are set up as a distinct department. Other general merchandise categories such as glassware and baking needs are integrated with related food sections. Plastics are set up as a distinct department.

As we define a conventional supermarket, it has grocery, produce, meats, dairy, and frozen food departments. Additionally, it has health and beauty aids and general merchandise that account for less than 10% of sales and about 10% of floor selling space.

With this background, I'd like to share with you some opinions about keys to the successful operation of conventional markets in the next ten years. There are many important considerations, but three concepts are

especially important to optimizing return on investment.

1. "Tailoring" the individual store.
2. Supplying merchandise to the store.
3. The importance of store management.

I cannot escape a reference to the earlier topic of matching store type to market needs at this point. The same principles apply to matching the conventional supermarket to market needs. Every store location is a little different in the demographic sense from every other location. No two stores will serve the same ethnic, income, or age groups. There must be at least 101 variables.

As an industry, we may have attempted to over-standardize our stores and departments when we should have left flexibility in our plans and established better controls. Our industry has enjoyed a phenomenal growth over the past few years, but there has been expansion in some areas that was unjustified by business prospects. We Americans are incurable optimists and, in some places in our industry, resources have been wasted by unhealthy growth and expansion just for the sake of expansion. Some areas are over-stored. At times, we have added departments without too much regard for profitability. Stores have been built without proper research of the opportunity for sales and profits.

We must develop professionalism in determining market needs and consumer desires. We must be realists in determining the type of store that will be supported in a given location. If population density justifies a superstore, then we should build a superstore. If the density is not adequate, then the

conventional market built with attention to detail is probably our answer.

A realistic, professional projection of opportunity for sales can give us a lead on the store size necessary for a particular location. I have nothing against standard floor plans, but two or three plans may not be an adequate number from which to choose. Width and depth of the location or different egress and ingress may make standard plans unsuitable. There is a tendency to make decisions on an either-or basis and at times, the path of least resistance is to make it fit rather than spend a little time and money to do it right. I just don't believe in looking for a location to fit a building. We would prefer to spend more time in planning, and not have regrets over a 20-year lease.

The departments in a conventional market can be tailored to suit the variables peculiar to a specific location. Every location may not need the same arrangement or amount of shelf space devoted to "standard" departments. For instance, some meat departments may do well with fresh fish, but not the complete deli that one would find in a superstore. Potted plants may be a worthwhile addition to one produce department and be a complete flop in another. We don't need 36 feet of gourmet foods in a town of 4,000 people in South Georgia, but certain gourmet items could be profitable and meet consumers' needs at the same time. Much can be done in a conventional market with departments that add a special touch without the heavy investment required for the superstore.

The real guts of what we should be concerned with is the optimum return on capital invested. Success with the

conventional market is dependent upon the proper planning, research, and attention to detail that will be necessary to put the right size store with the right mix of merchandise and departments on the right location.

The question arises as to how we will supply these "tailored" stores. Sometimes those of us in the chain-store sector of our industry think we have to warehouse everything in order to control our operation. For the future, we must be creative enough to find distribution channels that will supply a store that has special needs. Many of our associates do use wholesalers and rack jobbers to accomplish these tasks. By finding the most efficient ways to get products to the ultimate user, we accomplish the objective of perpetuating our business and bring good value to the consumer.

The obvious trap that we could fall into is that of trying to be everything to everybody in a conventional supermarket. However, the other side of the coin of flexibility is control. There are many well designed operations that use outside suppliers exclusively and still control merchandising practices at store level.

The successful operators of conventional supermarkets in the future will be the operators who can work out a system of supply to maximize merchandising opportunities. It is not economically feasible to warehouse and distribute everything.

Lastly, and I suppose that this would apply to operation of any type store, development of store management holds the most promise for optimizing our return on investment.

What we should develop is a combination professional-entrepreneurial manager. We don't need to hand managers a book and tell them to run their stores according to steps 1-2-3. What we need is a person who can handle the problems of flexibility with professionalism. Training should be directed at developing the complete manager, covering all phases of management.

The really important managers in retail organizations are the managers at store level who are in contact with our customers. They are the people who can fine-tune store operations and adjust the individual store to meet the needs of the consumer.

Consumers are humans with needs and desires. We can meet those needs and desires with physical resources in the most efficient way if we as planners perceive them correctly. Creative retail managers can add the final polish to the correctly planned conventional supermarket.