RESEARCH UPDATES

AN ANALYSIS OF WHOLESALER-HOST COMPUTER SERVICE FOR MID AND LOW SALES VOLUME INDEPENDENT FOOD RETAILERS

By

Stanley M. Fletcher
University of Georgia

General Objectives

To determine the need, the advantages, disadvantages and cost-benefit of providing host computer systems for independent food retailers with mid to low sales volume.

Specific Objectives

All relative to mid and low sales volume independent food retailers.

1) To determine the potential use of scanning-generated data by food retailers in cooperation with their wholesale suppliers.

2) To describe the technical characteristics of alternative computer systems for providing host capabilities.

3) To investigate and describe future alternative host computer systems.

4) To determine the cost justification of host computer systems in selected sales volume wholesale grocery operations.

5) To publish the results of the analysis and make recommendations concerning current and projected use of host systems for mid and low sales volume retailers.

Background

Independent food retailers are implementing scanner-customer transaction systems as a means to improve efficiency and remain competitive with high volume chain operations. Due to the prohibitive cost of host systems and retail systems, all independent food retailers cannot cost justify them and, therefore, are unable to obtain timely data for their critical management and marketing decisions. Some grocery wholesalers, primarily those with sales volumes in excess of $150 million annually, provide scanning host capabilities to the food retailers they service. Most mid to low sales volume wholesalers (up to $150 million annually), representing 87 percent of the nation's food wholesalers, do not provide host scanning support. This latter group of wholesalers does not have the expertise or technical resources to perform the in-depth analysis required to determine the feasibility of hosting food retail scanning systems.

According to the preliminary results of a study currently being conducted,[1] one of the deterrents to more rapid implementation of scanner technology is the lack of host computer facilities and scanning expertise of most wholesalers, especially those serving mid and low sales volume retailers.

No detailed research work is available relative to the feasibility of providing host support to retailer scanning systems by small and medium sales volume wholesalers. This proposed study would have an economic impact on operating costs and benefits to the food distribution system and the consumers it serves.

Methodology

1. Based on the retail data generated by the present scanner computer checkout study and other information obtained from industry sources, develop a list of wholesale grocers providing host support to retailers who are scanning.

2. Contact wholesale grocery firms who are hosting to determine size and scope of computer facilities, operational technology, types of services offered, information generated, and use of this information.

3. Conduct field studies in a sample of wholesale grocers who are hosting to evaluate the performance and relative costs of various alternative systems. Also conduct detailed analysis of operating procedure and cost for hardware, software, labor, equipment and incidental costs relative to wholesaler-provided host computer systems.

4. Determine possible data use relative to retail and wholesale management decision making through host computer accumulated data.

5. Evaluate alternative systems available to wholesalers who wish to host their retailers who are scanning but do not have the resources to purchase large capacity computing systems.

6. Published results will include an evaluation of alternative systems and recommendations for improving wholesaler computer hosting to small and mid-size food retailer operations.

Contact Personnel

Dr. S. E. Trieb, Head, Ext. Mktg. Dept., CES, UGA, Athens, GA 30602.

Dr. Stanley M. Fletcher, Asst. Prof., Dept. of Agric. Economics, Georgia Station, UGA, Experiment, GA 30212.

FOOTNOTE

[1]An Analysis of Scanner Computer Checkout Systems to Determine the Feasibility of Scanning Systems for Mid and Low Sales Volume Food Stores. Cooperative Extension Service, University of Georgia and Agricultural Marketing Service, USDA.