

2.18: Changes in Food Retailing

Learning Objectives

- Identify the most dramatic change in food retailing today

Earlier we discussed how the most meaningful change in food retailing has been the growth of competitive channels, formats, and outlets. A wide array of retailers have included food items in their assortment because expanding their offerings increases purchases from customers. Furthermore, including food items might increase store traffic, either by drawing in new shoppers or getting them to return more frequently.

Let's revisit our example with the can of soup.

You can certainly find this item at your local grocery store or supermarket. But you can also buy it in bulk at a warehouse store like Costco. If you're out shopping at a mass merchandiser like Target, you'll still be able to find it. In fact, you might even be able to find the soup at your local Walgreen's or 7-11 store. Even if you don't want to leave home, you can order the soup online at Amazon.com and have it shipped directly to your doorstep.

So, you might ask, "Why doesn't every retailer expand their product assortment to meet all possible consumer needs?" Retailers shape their offerings to position themselves for a distinct target, differentiating themselves in-market. A critical element of this is providing the shopping experience their target customer values. In the context of groceries, a Wal-Mart superstore carries a slew of products and is a fine retail environment, but it's a decidedly different shopping experience than you get at a Kroger supermarket, which in turn is decidedly different than a shopping experience at Whole Foods, which in turn is a different shopping experience than you get at Dollar General.

When comparing retail spaces, you should compare the store layout, assortment, pricing and types of service. Figure 1 shows some examples of different store types.



Figure 1.

Thus, retailers aren't just competing with one another through the items they offer and the pricing they set. Instead, they're competing on a whole host of other criteria, including

- Convenience

- Is the store nearby?
- Is there ample parking?
- Will they have what I need?
 - Is it likely that the item will be in stock?
 - Will I be able to find the item quickly?
- Customer Service
 - Is this a place I like to shop?
 - Is the store clean?
 - Are the staff available? Are they helpful?
 - Can I get in and out quickly?
 - Will there be enough cashiers working?
 - Is self-checkout offered?

As you can see, for many shoppers, the questions for the retailer aren't just "do you have it?" and "what does it cost?" Instead, shoppers are considering a number of factors that are based upon their individual needs. If you were just picking up milk on a Saturday afternoon, would you rather stop at a club store or go to the local grocery? How would that decision change if you were planning to shop for a two-week supply of groceries?

Groceries have moved to a whole host of other channels, where non-traditional formats use groceries to increase store traffic and revenue. Because the traditional grocery business operates on thin margins, sales volume is critically important to remain financially viable. Thus, this loss of sales to alternative channels is an important competitive threat. However, the loss doesn't imply that grocery stores and supermarkets are destined to decline. Instead, it's far more likely that their model will evolve to meet changing consumer needs. It is therefore critical that we understand these alternative formats and identify how we can most effectively compete with them, whether we're selling a simple can of soup or a unique customer experience.

? Practice Questions

<https://assessments.lumenlearning.co...sessments/9139>

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