

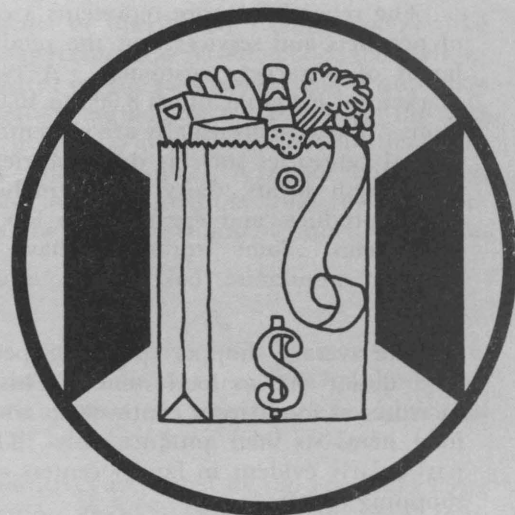
# FACT SHEET

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## CONSUMER'S GUIDE TO THE FOOD STORE

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Have you ever wondered how the present food store came to be? How do chains differ from independents? What is a supermarket? What does the food store offer in the way of products and services? What are the central issues in the "consumer movement"? What can you do to take better advantage of the products and services offered? If so, this fact sheet is for you.

### Part of the U.S. economy

The retail food industry has played a vital and integral role in the economic development of the United States. Consumer interests have had tremendous impact since 1773 with the dumping of East India Tea Company's tea into the Boston Harbor. Many changes have occurred ranging from credit order delivery systems to cash-and-carry operations.

"Cheapy" markets, the forerunners of today's supermarkets, were formed to do large volumes of business with low-profit margins during the 1930 depression. Most of the growth in the retail food industry has occurred since World War II. The changing nature of our total economy has influenced and been influenced by supermarkets. Consumers have required new products and services to meet the demands of their changing lifestyles and standards of living.

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### Identification

You can't tell the players without a score card. Identification of some basic terms may be helpful. A food store sells food for home preparation and consumption. Food store sales equaled \$100.71 billion in 1971 according to *Progressive Grocer's Annual Report*. Several types of food stores exist, including the following.

*Grocery and the combination stores* carry a variety of canned, frozen and dried groceries, fresh foods and other perishables for home consumption. In 1971, sales equaled \$94.47 billion.

*Specialty stores* carry a limited variety of products and depend upon consumers patronizing one major area such as meat stores or dairy stores. Sales reached \$6.24 billion in 1971.

*Convenience stores* are small, compact self-service stores which are open long hours and feature limited lines of brands and sizes. Convenience store sales equaled \$3.11 billion in 1971. Convenience store sales are included in the grocery and combination store category.

*Discount stores* are difficult to define because the word "discount" is used frequently as a merchandising technique rather than a descriptive term. In general, "discount stores" offer a limited line of products. They have fewer brands and plainer facilities, provide fewer services and tend to de-emphasize perishable products. These stores generally offer lower prices; judgments regarding the comparable quality are left to the consumers.

Due to the ambiguity of the term "discount stores," the total dollar sales and number of stores cannot be substantiated.

### **Competition for consumer dollars**

The retail food store represents a complex mix of products and services that the retailer offers in hopes of attracting customers. A typical supermarket, for example, offers 8,000 to 10,000 different items. These items usually are presented in departmental categories such as dry groceries, fresh produce, fresh meats, dairy foods (including refrigerated products and eggs), frozen foods and non-food items. Some stores also have delicatessen services, on-premise bakeries or other fast-food services.

The average shopper spends 28 percent of her food dollar on nonfood items. This percentage increases as food stores continue to add more non-food items to their product mix. This trend is particularly evident in family centers and one-stop shopping centers.

Services may become more important than products as stores try to compete. Services offered by supermarkets include the following.

- parking facilities
- credit and use of credit cards
- check-cashing facilities
- carry-out services
- music during shopping
- shopping carts
- trading stamps
- helpful personnel
- home delivery
- post office bases
- money orders
- utility bills payment centers
- convenient store hours
- other promotional devices

### **Trading stamps**

Stamp companies sell stamps to participating stores for \$2 to \$3 per thousand stamps. Stores usually give one stamp for every 10 cents spent. The shopper then redeems the stamp books for merchandise or cash at a value of \$2 to \$3 per book.

If all stores gave stamps of equal value, their competitive effects would be eliminated and stamps

would merely represent a cost of doing business. The consumer would base her store selection decision on other price and quality considerations. When stamps are not offered by all stores, however, they may reflect differences in food prices.

### **Credit**

Although most supermarket customers pay cash for their merchandise, use of credit is increasing. Because people find it convenient to pay all bills at the end of the month, the use of credit cards for food may become more prevalent.

### **Home delivery and check cashing**

Although it is not a common supermarket service, home delivery may return to its former prominence. At present, revival of home deliveries appears unlikely except for unique circumstances.

Providing money orders can be an expense to the food store because of the additional time required. Check cashing also can be extremely costly. Bad check losses (which cost businessmen \$900 million in 1971) are a direct cost of doing business.

### **Store promotion**

Informative, factual advertising and promotion within the store provide consumers with information they may not receive from other media. Most food stores provide this service, and food ads generally are reliable. Consumers should compare prices and labels.

### **Personnel**

Relationships between seller and buyer are important to some food shoppers. The seller's honesty, his willingness to stand behind his goods, and the efficiency and courtesy of his employees may greatly influence a shopper's choice. Store personnel are often valuable sources of information on how to buy and prepare foods. Some large stores even provide consumer specialists for this purpose.

## **CURRENT CONSUMER ISSUES**

Interest in consumerism has increased in recent years. Consumerism includes drawing the consumer's attention to problems confronting him and indicating procedures to change the situation. No uniform consumer movement exists, but a large number of people act as vehicles to institute changes by individual or group action. Many issues are receiving attention by consumers and legislators. Because of their importance to our everyday lives, it seems appropriate to summarize today's major consumer issues.



## **Prices**

Everyone wants to know who is to blame for high food prices. The blame should be cast on the same person who is to blame for low food prices. No one gets excited when prices are low on certain items except the person who is trying to make his livelihood by producing them. Attention should be devoted to explaining price situations rather than blaming people for food prices.

Supply conditions at the production level primarily influence prices for food items in the short run. When supplies are high, prices tend to be depressed.

The average cost of food purchased by consumers has increased during the last 20 years, but the average cost of doing business has increased also. The cost of food, however, has not increased as rapidly as inflation, personal income or the cost of many other products and services. Food is still a bargain; it demands less than 16 percent of the average family's disposable income compared to 23 percent 20 years ago. Both the quantity and the quality of products has increased tremendously during this time.

## **Quality**

Consumers are demanding clearly identified, meaningful quality grades. Difficulty in making intelligent choices on food items often arises because grade names are not descriptive or consistent. For example, foods may be graded by numbers, letters or descriptions. Because of this ambiguity, attention has been directed to standardizing descriptive terms for grades used in food items. Such standards would provide consumers with valuable information.

## **Open-code dating**

Open-code dating refers to the process of having a code on the product telling when the product was placed on the shelf, when it should be removed from the shelf or the expiration date beyond which the product should not be used. One of the problems with open-code dating is deciding which code type to use. Another problem is determining the most meaningful way of communicating the code. Perishable processed items including milk, meats, dairy products and eggs are currently of major concern.

## **Unit pricing**

Unit pricing refers to reporting the price per ounce, price per pound or some other unit of measure. One of the difficulties with unit pricing is that the price per ounce or per pound may not

be the relevant information for consumer choices. The price per serving is generally of most importance.

## **Nutritional labeling**

Proponents of nutritional labeling would like to have the percentage of recommended daily allowances indicated on the package for major nutrients. Major negative arguments are based on the fact that most people do not know what nutrients are needed in what amounts. A major educational effort in the area of nutrition could result in consumers making wiser decisions for nutritious foods.

## **Additives**

Various food additives have been used as preservatives and stabilizers to achieve quality products. Some consumer activists have advocated removing all additives from food products.

Food additives are tested by the Food and Drug Administration (FDA). Based upon FDA tests, allowable levels are established or the additives are disapproved for use. Further research and tests sometimes result in alterations or reversals of earlier decisions. If all additives were removed, the average food cost would increase substantially.

## **Standardizing**

Standardization of container size to avoid misleading packages is also a relevant issue. The food industry recognizes many advantages in handling standardized products and has been working with federal agencies to develop standards for packages and transportation containers. Many of these changes would come with the possible conversion to the metric system.

## **Pollution**

Due to its severity, pollution has received much attention. Because of the emotional nature of the issue, people have over-reacted on both sides. Products to reduce pollution and change retail business operations can be expected in the future. Many firms are now compacting and recycling products, and it often pays to do so.

## **CAREFUL SHOPPING**

How do people determine where to shop? Some obvious factors include the store's distance from home and resulting transportation problems.

Studies reveal that most people will not drive more than 1 to 1½ miles to shop at a food store

when provided with sufficient alternatives. Other factors influencing their decisions include the amount of home storage available; income, education and occupation of family members; size and ages of the family; time of day available for food shopping; the store hours available; and the knowledge and skills used in food buying.

The key to getting your money's worth is to be a careful shopper. Watch the ads, experiment with various stores and be open to new alternatives. Consider both good and bad points of food stores

rather than letting one factor dominate your decision. Shop at the store best suited for your individual needs.

If you find something that is not to your satisfaction, bring it to the attention of the store manager in a constructive manner. Give him an opportunity to correct errors and to improve his store's operation. You can help make shopping better for yourself and your neighbors by expressing your approval and disapproval to those who can make changes.

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