'PRICE': TIME FOR A SUBTLE SHIFT IN STRATEGY

Marie McHugh, Kate Greenan,
Christine Kerrigan and Stephen Wightman*

Introduction

Much literature advocates the use of strategic planning in organisations as a fundamental ingredient for success (see, for example, McNamee (1988), Porter (1980), Ackoff (1970) and Ansoff (1965)). Strategic planning is universally directed or limited by the manner in which the consumer base has been defined and can be used to achieve competitive advantage; however, to be effective, it requires close screening of customer segments and the identification of any behaviour changes within target groups. In turn, it is essential that the company has the necessary resources, culture and vision to incorporate such changes into effective new strategies.

This paper seeks to highlight some of the strategic changes which have occurred in food retailing over the last three decades, and to explore more recent developments within our society which are affecting behavioural changes in consumers. Some of the findings from a recent survey on female food shopping behaviour in Northern Ireland are presented, which suggest that price is not the primary factor influencing the purchasing decisions of food shoppers and should not, therefore, be the primary competitive weapon. Thus it would seem that this is an opportune time for a subtle shift in food retailing strategy.

Strategic Changes in Food Retailing

In the last 30 years British and Irish food retailing has witnessed the meteoric rise and market dominance of large multiple corporations. This has been accompanied by the demise of many other forms of food retailing -particularly middle sized supermarkets. Small independent retailers and contractual chains have been able to survive by focusing exclusively on either 'top up' purchasing or specialist purchasing requirements. It would seem that large food multiples with their greater working capital and advantages achieved from economies of scale have suppressed the ability of smaller sized organisations to compete on low costs; thus, as a viable alternative, they have sought niches in the marketplace. Many medium sized firms have been caught in the middle and have found themselves unable to compete successfully with larger multiples on low cost, and smaller firms on flexibility or specialisation; thus, they have experienced difficulty in finding a defendable position within the food retail industry.

* Marie McHugh and Kate Greenan are Lecturers in the Department of Marketing and Business Organisation at the University of Ulster, Jordanstown. Christine Kerrigan and Stephen Wightman are Project Officers at the same institution.

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Why have these changes occurred in food retailing? Guy (1980) suggests that the development of modern forms of shopping has been determined by a complex interplay of social, economic and political considerations. The changes which have occurred may be classified into three major categories, i.e. retail distribution, consumer behaviour and the external environment. Each of these is considered briefly below.

Changes in Retail Distribution

In Britain and Ireland, since the 1950s, the large supermarket chains have achieved market dominance through an increased share of the food retail market. To illustrate, Martin (1990) reports that in 1989/90, out of a total household food and drink bill worth £72bn in Britain, the two largest trading groups - Sainsbury and Tesco - were reported to share 30% of the total market. In Ireland, up until 1988, the overall trend was similar with the two largest players - Dunnes Stores and Quinnsworth - controlling 50% of the £2.2bn Irish grocery trade. However, more recently, their share has declined and now stands at around 46% (Irish Independent 1989).

Traditionally, the basis of competition between the large multiples has been viewed as price-based, with few chains being perceived as competing primarily on the basis of 'quality'. Today, however, in Britain such perceptions are somewhat misguided, with a number of larger chains pursuing strategies of differentiation which enables them to command premium prices for goods and services. Indeed, many food retailers are choosing to combine low cost plus differentiation, either through advocating high quality by virtue of brand name or by improving services to customers, hence the well-known slogan "good food costs less at Sainsburys".

To date in Ireland the basis of competition remains largely unchanged. However, the authors of this paper argue that the subtle changes which are taking place within our society provide a number of signals for strategic change in Irish food retailing. This view is supported by a recent report in the *Irish Independent*, which indicates that Dunnes Stores, one of the leading players in Irish food retailing, is embarking on a new marketing campaign which aims to focus on store and product features other than price (*Irish Independent* 1991).

The fundamental high growth strategy adopted by the large multiple corporations has contributed to their capacity to dominate the food retail sector. The strategy, which is characterised by major store expansion programmes, emphasises the importance of good site acquisition and store location policy. Ghosh and McLafferty (1987), who highlight the significance of location strategy as an integral part of overall corporate strategy, suggest that good locations allow ready access, attract large numbers of customers and increase the potential sales of retail outlets. It would seem that the importance of location strategy has been acknowledged by a number of major corporations, who recognise that successful expansion and achieving competitive advantage means acquiring the best sites.

Evidence for the current success of fundamental high growth strategies adopted by the multiple corporations is provided by increased sales and profit figures. For example, the profits before tax of Dunnes Stores in Northern Ireland increased from £3m in 1986 to £6.8m just one year later. This dramatic rise was partly attributed to an 11% increase in turnover to just under £90m.

In Britain, Martin (1990) reports that similar trends have enabled Sainsbury and Tesco to expand at an ever increasing rate, with new stores opening at the rate of one every nine days. It would seem that this trend is set to continue as an increase in sales, achieved by internal investment in superstores coupled with increased productivity, has allowed these firms to raise their net margins above the industry average. Evidence for this is provided by Sainsbury's 7%+ margin in 1989-90, which is markedly higher than the industry average of 2.1% for 1987-88 (Corporate Intelligence Group Research).

Changes in Consumer Behaviour

Major transformations have also occurred in consumerism during the last two decades, which have important implications for food retailers and the development of food marketing strategies.

Changes in residential location, which have resulted in widespread suburbanisation of the population and the concomitant reduction in the numbers of people living in the inner city, are also influential in shaping retail location policy. Indeed, in many regions, population shifts to outlying residential locations have been accompanied by changes in the spatial pattern of retailing, involving the growth of new suburban shopping centres and a commensurate decline of inner city provision.

The growth in female employment, which has occurred throughout Europe, has major implications for food retailing strategies. In Northern Ireland, the economic activity rates of females have risen from 36.8% in 1971 to 44% in 1988 with projected figures of 48.1% for the year 2000 - that being nearly half of the female population (General Statistical Office 1990). Albeit at a slower rate, similar changes have occurred in Eire. These changing work patterns provide additional incomes for many households, which increases their purchasing power and renders them less price sensitive. This view is supported by McCall (1977), who suggests that the convenience aspect of shopping is becoming so critical for the 'workwife' in particular, and the working woman in general, that the function of price is less significant.

It is argued that to successfully achieve competitive advantage, continual in-depth analysis and monitoring of consumer behaviour is imperative. Until recently the female consumer market has been segmented along traditional lines. However, in the last decade American research indicates that consumer characteristics differ significantly between working and non-working women. McCall (1977), who has examined five areas of 'work wife' consumer behaviour, concludes that food shopping patterns differ significantly among working and non-working wives. Working women, who experience a number of critical time constraints, tend to shop less often and prefer to shop in the afternoon, evening or at the week-end. Additionally, for the working wife the two most important factors in selecting food stores are convenience, coupled with quality or assortment of products; price tends to be of much less importance. The reduced importance of price and the increased prominence of convenience shopping as factors influencing retailer choice, have also been highlighted by Martin (1990) who reports that, to-day, price has been completely overtaken by factors such as freshness of food, variety, convenience in food products and in parking, cleanliness and staff politeness.

Thus, it is argued in the context of this paper that, if women's work changes them as consumers, then some redefinition of women as a marketing segment is required. As food retailers have historically viewed women as the chief customer group, any changes which may sub-divide this target group will have implications for the strategies which organisations choose to pursue. This view is supported by Hellnig *et al* (1988), who point out that the career woman's new buying patterns, i.e. how she shops, when she shops, where she shops and what she shops for, have changed the marketing game. It would seem to be the case therefore that working women, as a group, can be classified as cash rich, time poor citizens who have a range of new shopping needs which must open a window of opportunity for the sensitive retailer.

Changes in the External Environment

The institutions which govern the activities of retailers and consumers have become more significant in shaping the development of retailing in the last few decades. One example of this is town planning control over retail development and land use in Northern Ireland. However, the softening of planning policy in the mid 1980s has allowed modern out-of-town superstore developments to take place, especially in food retailing, thereby satisfying consumer demand.

Thus, the rise of large food multiples has transformed the shape of food shopping and the retail sector. To date, the large multiple corporations have achieved dominance through fundamental high growth strategies characterised by expansion programmes. The importance of good location has been acknowledged and acted upon, thus permitting these companies to reap substantial financial rewards. However, it is now time for the forward thinking strategist to identify and exploit *new* opportunities. One such opportunity would appear to be the working woman with her new shopping requirements.

Food Retailing in Northern Ireland

Since the mid 1960s Northern Ireland has witnessed a series of changes in retail structure, with the majority of out-of-town superstores and hypermarkets being dominated by Irish food retail multiples such as Wellworths, Stewarts and Dunnes. Additionally, in the late 1980s, the British based chain, Marks and Spencer, has pursued a policy of extending its operations to include peripheral locations.

Although companies such as Marks and Spencer and Wellworths both locate stores at prime sites on the periphery of provincial towns and cities, they tend to pursue different generic strategies. To use the typology of Porter (1980), it can be said that Marks and Spencer pursue a focused generic strategy, whereby their value platform has been created to service a specifically defined customer segment where buyers are willing to pay premium prices for the goods and services provided.

By comparison, companies such as Wellworths and Stewarts pursue a strategy of cost leadership, whereby profits achieved are the result of high volume and fast stock turnover on lower margins.

Also, in Northern Ireland there are a small number of well located independent out-of-town supermarkets which pursue a generic strategy of differentiation. These stores achieve competitive advantage by stocking a vast array of products and brands, many of which are specialist, and providing a range of services for which customers are prepared to pay premium prices.

The research project upon which this paper is based investigated the food shopping behaviour of 300 women at three out-of-town shopping centres in Northern Ireland. The findings reported represent a selected portion of the analyses which highlight the new shopping requirements of the working woman, thus providing food retailers with subtle signals for strategic change.

Methodology and Sample

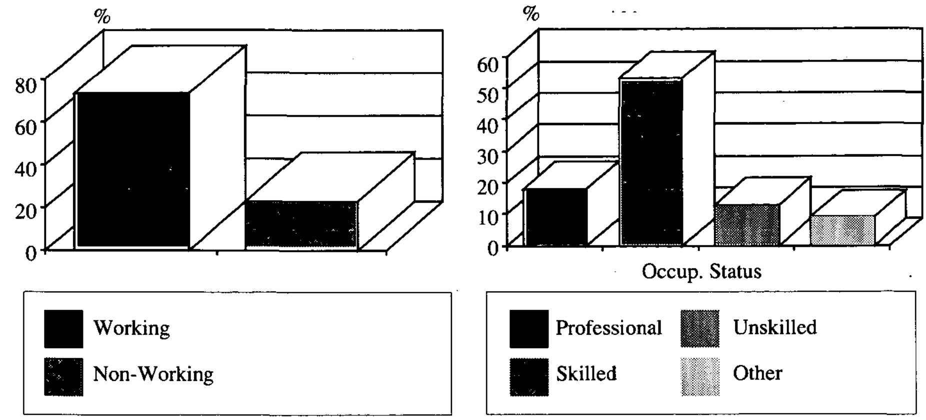
For the study, a total of 300 interviews, based upon a standard questionnaire, were carried out in the car-parks of three out-of-town supermarkets in the greater Belfast area. The females who participated in the study were approached as they emerged from the store, having completed their shopping. One hundred interviews were carried out at each of the supermarkets which are typical of the types of store found in most UK cities and large provincial towns.

The supermarkets included:

- a national chain pursuing a focused strategy *Marks & Spencer*
- a regional chain pursuing a cost leadership strategy *Wellworths*
- an independent supermarket pursuing a differentiated strategy *Supermac*

The sample was chosen randomly, with the days and times of the survey interviews being varied over a 2-week period so as to reflect typical shoppers in the morning, lunch-time, afternoon and evening on each day of the week. The structure of the sample is shown in Figure 1.

Figure 1: The Sample Structure



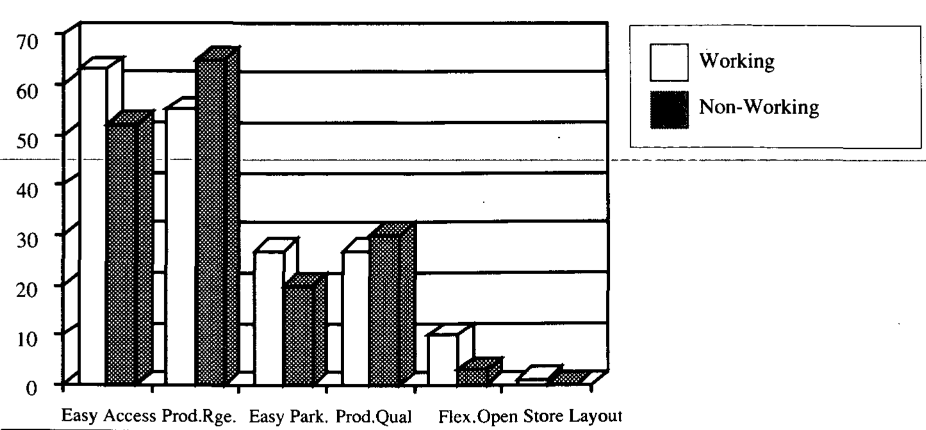
The Findings

The survey findings indicated that the shopping behaviour of the working woman is characterised by a sense of *time urgency.* Compared to her non-working peers, she devotes less time to shopping, visits stores late in the evening and 'manages' shopping so that it fits in with ever pressing work commitments. Consequently it would seem that such individuals would choose to shop in stores which offer a number of time saving facilities, are easily accessible -either to their places of work or home - and might also suggest that they would require different types of food products to women who do not work.

To test the validity of these views, survey participants were asked:

- What factors influenced their choice of retailer?
- What types of products they purchased?

Figure 2: Factors influencing choice of retailer

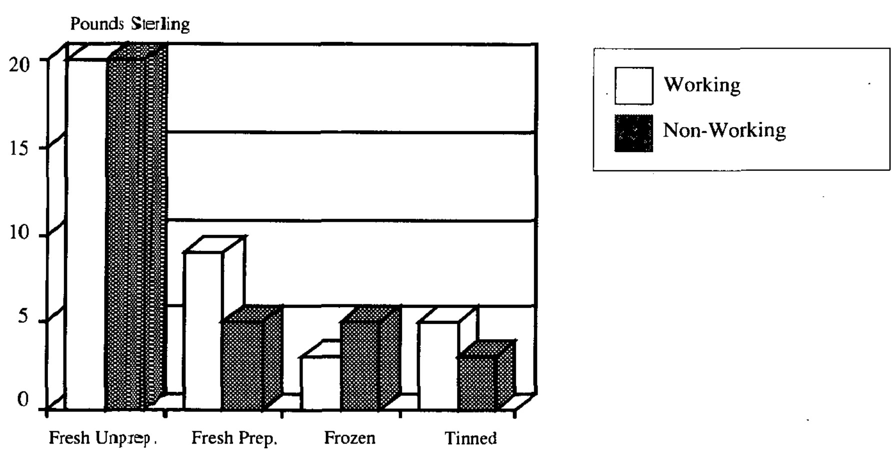


Considering the stores chosen for this investigation, it was expected that easy access would be cited by many as a major factor influencing choice of retailer. However, it is interesting that the remaining factors which may be considered time related, i.e. easy parking, flexible opening and store layout, were viewed as being more important by working women. Product range and product quality are not specifically time related, and it is significant that working women cited these factors less frequently than their non-working counterparts.

Types of Products Purchased

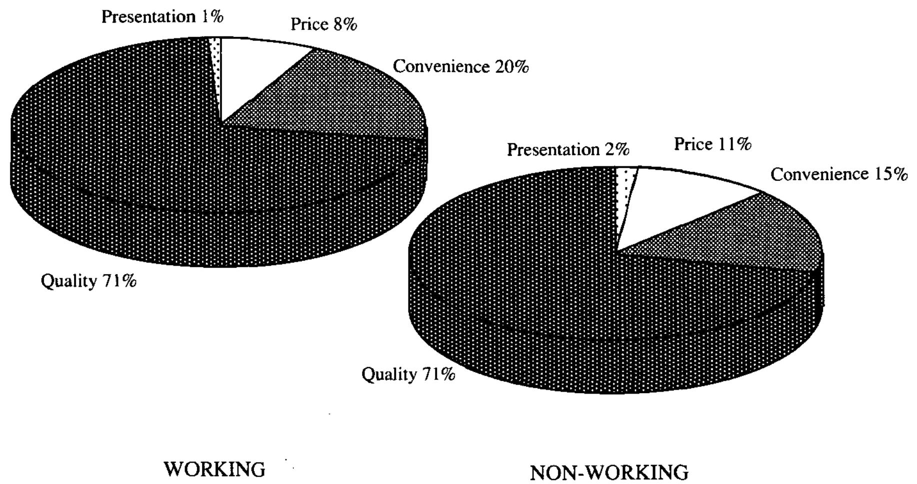
As mentioned previously, due to work commitments, many women have less time to spend on domestic activities such as shopping or cooking. Thus, as suggested by Reilly (1982), it would seem that the time pressures experienced by working women should be reflected in the products which they purchase. This assumption was put to the test by finding out the modal amounts of money spent on various food product categories and the reasons for purchasing particular product types. The findings are shown in Figures 3 and 4.

Figure 3: Modal Amounts of Money Spent on Each Food Category



All women participating in the study spent substantial amounts of money on fresh unprepared foods, but working women tended to spend much more on time saving convenience, fresh prepared or tinned products than their non-working counterparts.

Figure 4: Reasons for Purchasing Products



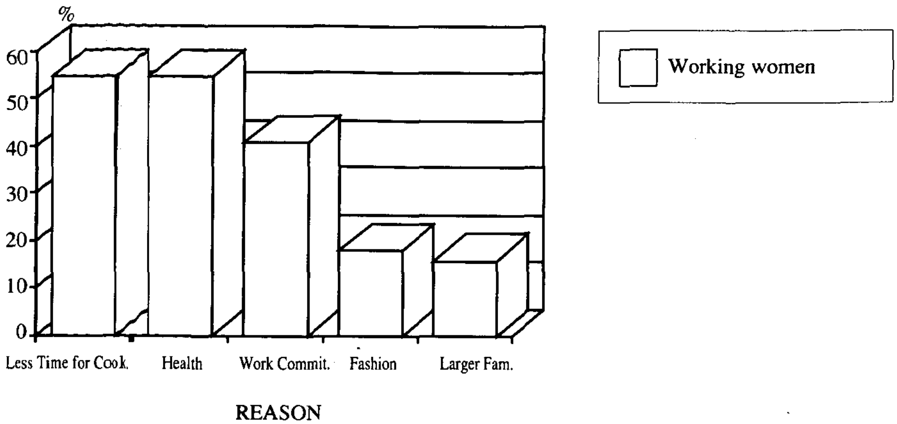
Guy (1980) suggests that a consumer's criteria for choice is likely to be based partly upon price. The findings presented above lend some support for this view. However, it is significant that 'quality' rather than 'price' was regarded by most women as the primary factor guiding food purchases. Such results are consistent with Martin's (1990) comment that to-day's food customer is willing to pay premium prices for high quality products, thus indicating that this is indeed an appropriate time for a subtle shift in food retailing strategy. 'Quality' aside, however, 'convenience' was cited as the next most important factor influencing product purchases, and this was particularly true for working women. Comments made by people associated with the food industry would seem to indicate that a large proportion of quality food products have an inbuilt convenience factor (see, for example, McNamee and McHugh 1990). Thus it would seem that the results shown in Figure 4 may indeed understate the importance of convenience, since 'quality' and 'convenience' are not mutually exclusive concepts.

Changes in Products Purchased

While 'quality' is acknowledged as being the primary factor influencing food purchases, it is important to note the place of 'convenience' as a priority for working women. Further support for this view is provided by the survey findings, which indicate that 70% of 'working' participants have experienced changes in product purchases over the last five years. Fifty four per cent of respondents reported that they now purchase increased amounts of fresh prepared foods.

Figure 5 presents the reasons given by working women for changes in product purchases.

Figure 5: Main Reasons for Changes in Products Purchased



As shown in the figure above, the most frequently reported reasons for changes in product purchases among working women were 'Less Time for Cooking', 'Health' and 'Work Commitments'.

Thus, these results further emphasise the point that working women, who now represent a most important customer group, are much more concerned about product quality and convenience rather than price. These individuals have a range of shopping requirements which are different from those of the traditional food shopper, and which represent a host of opportunities for sensitive retailers and marketers.

Conclusions and Implications

It would seem to be the case that an increased proportion of food shoppers are working women whose buying behaviour differs significantly from non-working women.

To date, strategic change within food retailing has occurred with the growth and dominance of the large multiple corporations, many of which have located superstores at prime out-of-town, easily accessible sites. The concept of one-stop-shopping permitted by these stores has struck a chord with a very large number of customers and is a reflection of changing lifestyles within our society.

However, a note of caution is necessary. To date, the success of the large food multiples can be attributed to the pursuit of fundamental high growth strategies characterised by major expansion programmes. Based upon past experience this would appear to have been a successful strategy. However, such expansion cannot continue indefinitely and markets will soon reach saturation point (Skeel 1991).

In Ireland it is argued that the market has already reached saturation point, making it exceedingly difficult for the key players to increase their market share. Indeed, it was recently noted in *Irish Business* (November 1989) that there are very few new sites where it would be profitable to erect a supermarket. This, in turn, has given way to intense internal rivalry, focusing on price based competition within the industry, thus eroding company profits. It could be further argued that the recent remarkable turnaround of the independent and group trade in Ireland will continue to reduce the dominance of the large multiples. This intensification of competition makes it imperative that sensitive food retailers now identify and exploit new opportunities which will ultimately bestow sustainable competitive advantage.

To date, a factor which has paled in significance, but which is bound to have numerous implications for food retailers in future, is the growth in female employment. The authors of this paper would argue that the working woman represents a market segment which is growing in size. Thus the growth in female employment, which has created additional incomes for many households, will also mean a number of new time constraints for a major customer group. For the sensitive food marketer, these new found constraints present a number of key messages which concern all aspects of the marketing mix. It would therefore seem fair to suggest that the way is now paved for strategic change.

For many working women, the time available for food shopping and cooking has been substantially reduced, thus suggesting that time is now a critical dimension in the *shopping* and *cooking cycles* of a major customer group. The concept of time in the *shopping cycle* refers to the speed at which:

- customers can reach their chosen retailer;
- purchase their goods; and
- arrive at their destination.

The significance of time for today's shopper, however, extends beyond the shopping cycle to the *cooking cycle*. The concept of time in the cooking cycle refers to the speed with which:

- food can be prepared; and
- food can be cooked.

Time constraints imposed by the workplace mean that many women now require food products with substantially reduced cooking cycles. Food products which have an inbuilt convenience component and thus contribute to such reduced cooking cycles are set to become a major customer requirement. Although some of the larger stores have already noted this development and taken appropriate action, it would seem that further development of the convenience food market is necessary to keep abreast with changing consumer demand.

Thus it would seem that recognition of the importance of 'time' in all respects is one of the keys to competitive advantage for food retailers in the next decade. This view is supported by Peters (1990), who suggests that "time obsessed competition" is one of the major challenges facing industry in the '90s and beyond. Although Peters refers to 'time' in the context of product development and manufacturing cycles, the authors of this paper would argue that the concept is also valid from the perspectives of food retailers and consumers. This is supported by recent comments in the *Irish Times*, which indicate that the relative importance of time - as distinct from price or service - has contributed to the renewed growth of convenience stores (*Irish Times* 1989).

The views outlined in this paper are intended to provoke action from all forward thinking retailers and marketers. The large multiple corporations have, to date, been extremely successful in transforming the structure of food retailing. The strategies adopted by these companies have demonstrated a unique sensitivity to market changes, seen through the growth of well located superstores. This sensitivity has been rewarded by a large growth in profits. However, to ensure continued growth and sustained competitive advantage, it would seem certain that these companies must now revise their strategies so as to take cognisance of the working woman's shopping requirements. The latter have been partially satisfied through the provision of stores which are easily accessible and which offer a range of facilities, for example, superior parking and late night flexible opening. Such provision does ease *some* critical time pressures. However, it would appear that this provision is too limited and it is now necessary for sensitive retailers to broaden their outlook in strategic planning and marketing, so as to pay increased attention to all time related elements of the food shopping and cooking cycles. The findings of the study reported above suggest that the shopping and cooking behaviour of the working woman is characterised by a sense of time urgency.

Thus, in conclusion, a subtle shift in food retailing strategy is required, which is characterised by a heightened sensitivity and responsiveness to customer requirements with regard to:

- all time related elements of the food shopping and coking cycles, reducing 'time expenditure' wherever appropriate;
- flexible opening hours, perhaps even Sunday opening;
- the provision of an increased variety of 'quality' convenience products; and
- the provision of an increased range of product sizes so as to cater for individual or family consumption.

The far sighted retailer might even consider opportunities for teleshopping. For those time poor customers who no longer view food shopping as a leisure activity, this might be a very welcome development. Additionally, it is a pre-requisite that new efforts are made to target advertising towards working women, so that the attentions of a most important customer group are captured.

How many retailers have the vision to effect these changes?

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