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FACTORS IMPACTING GROCERY STORE CHOICE IN COLLEGE STUDENTS

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ABSTRACT

This paper aims to address the variables taken into account by consumers to choose their new grocery store, as they move into a new town. Grocery stores have loyalty programs, weekly ads, market saturation, multiple formats, and constant in-market communication. The gap in research the author seeks to fill is how do customers, when they move into a new town, determine where they are going to shop. There is significant data on why consumers shop in their preferred stores, but not as much data on how they learned about their preferred stores when they first relocated to a new city.

The author uses questionnaire data to determine the primary variables leading to grocery store choice by new to town customers.

KEYWORDS: *Food Retail Marketing, Grocery Stores, Food Stores, Store Choice*

INTRODUCTION

There is significant research regarding why consumers choose their primary grocery stores. There is also significant data which supports the fact that customers understand formats, in regards to how stores selling food differentiate themselves in regards to the assortment, pricing, services, and store size. The aspect of the store choice the author addresses in this research is specifically in regards to how the store was chosen when the consumer first entered the market. Researchers have come to conclusions as to why consumers remain with a store and potentially build a loyal repeat purchase pattern, but the research gap to be attempted to be filled is in what made the consumer aware of the store when the consumer was new to the town or city.

The marketing research objectives will include determining where our participants grocery shop, determining what consumers consider the most important factor while choosing a grocery store, determining if our participants are loyal to their current grocery stores and why, determining how far our participants are willing to travel to purchase groceries, and determining who or what our consumers turn to when choosing a new grocery store. We will set constructs like price, quality of products, services offered, discounts and more to ordinally rank which factors are most important to consumers when choosing a grocery store.

To help answer these questions, primary and secondary data has been gathered. For primary data, the author developed a questionnaire to ascertain insights on who shops for groceries, what individual's value when choosing a grocery store, how they choose a grocery store, etc. The main variable from this questionnaire was which factors were the most important when selecting a grocery store. The goal of the secondary research was to find which factors individuals value the most, as well as trends in online grocery shopping.

In order to bring useable data to address the next generation of grocery shoppers, the primary and secondary data will focus mostly on Millennials and how they engage with grocery stores.

LITERATURE REVIEW

In the literature review, new residents to an area are much more likely to choose their grocery store due to factors such as proximity to the residence and everyday low prices. In one study, 46% of Millennial respondents in 2016 said that they shop at a specific retailer because they are brand loyal, while 59% said they shop at certain places because they are price-conscious (Peng, 2018). As of 2014, only 25% of Millennials shopped for their groceries online (Statista, 2018). Since then, online shopping has grown in popularity, especially for Millennials. In Figure 1, there has been an increase of Millennial shoppers who have used an online-only retailer for groceries from 2015 to 2017 (Statista, 2018).

Consumers in 2017 felt that the quality of the food is the most important factor when purchasing food from grocery stores. Behind quality, 72% of consumers believe that value for money was also an important factor, followed by low prices and stores that carry brand names (Statista, 2018). Figure 2shows a graphical example of the top eight factors for picking a grocery store, from this study.

Krukowski and McSweeney (2012) stated the four main themes identified as reasons customers choose a grocery store are a proximity to home or work, financial considerations and strategies, availability/quality of fruits and vegetables and meat, and store characteristics like safety, cleanliness, and customer service. Store choice has been studied extensively for low-income customers (D’Angelo, 2011; Wiig, 2009). A perceived cost in shopping in one store over another has been seen repeatedly in research (Krukowski and McSweeney, 2012). Organic and vegetarian foods have been found as top variables for store choice in literature as well (Krukowski and McSweeney, 2012).

Literature also cited the frequency of grocery shopping as sometimes three to four times per week and is simply a chore as opposed to enjoyable (Laine, 2014). The same study listed the following factors as the top variables to store choice: cleanliness, labeled prices, produce, pleasant clerks, low prices, meat, location (Laine, 2014). It should be noted that this study did not rank them in order.

When looking at which factors that would persuade people to shop for their groceries online, respondents said that price and convenience were their top preferences (Statista, 2018). The grocery industry is evolving with the times as the list of competitors grows each year. Big Box stores such as Target and Walmart now have grocery sections in many of their stores, and Amazon has injected themselves into the fray with their acquisition of Whole Foods. With these options available to shoppers, pricing has become a major factor in store selection, which the researcher confirms is growing as a top variable for store choice.

Customers can be divided into five categories. These groups include loyal customers, discount customers, impulse customers, need-based customers, and wandering customers. Since the objective is to find what makes grocery shoppers choose a place to shop when new to an area, and what drives the initial choice of “my” grocery store, these five customer descriptions will help provide information on how the store is chosen when new to the market.

- Loyal customers include shoppers who are looking for stores that they know and are used to shopping at since they're more comfortable with these inner layouts.
- Discount customers include shoppers who are shopping frequently and looking for stores that have the largest markdowns available.
- The third category involves impulse customers who are not looking for any products in particular but are looking for anything that may catch their attention at the moment.
- The fourth group of need-based customers goes to a grocery store with an intention to only buy particular products.
- The last group of customers, wandering shoppers, goes to stores for a need of experience or involvement in the community (Hunter, 2017).

Likewise, grocery stores can be split into segments as well, which enable the consumer to understand the differences in various locations based upon merchandise assortment, pricing, size of the store, and location. Leibtag (2005) described the various formats as such: traditional and non-traditional. Leibtag's breakout.

TRADITIONAL FOOD RETAILERS

Conventional Supermarket

Format offering a full line of groceries, meat, and produce with at least $2 million in annual sales. These stores typically carry approximately 15,000 items and frequently offer a service deli and a bakery.

Superstore

A larger version of the conventional supermarket with at least 40,000 square feet in total selling area and 25,000 items. Superstores offer an expanded selection of nonfood items, including health and beauty products and general merchandise.

Combination Food/Drug Store

A combination of a superstore and drug store, but with 85 percent of sales still from food products.

Warehouse Store

Low-margin grocery store offering reduced variety, lower service levels, and a streamlined merchandising presentation, along with lower average prices.

Super Warehouse

High-volume, hybrid format of a superstore and a warehouse store. Super warehouse stores typically offer a full range of service departments, quality perishables, and reduced prices.

Limited-Assortment Food Store

A low-priced grocery store that provides very limited services and carries fewer than 2,000 items with limited perishable products.

Specialty and Gourmet Retailers

Stores that specialize in a specific food category, such as organic, locally grown or produced, ethnic/international, or health-focused.

NON-TRADITIONAL FOOD RETAILERS

Supercenters: Large food-drug combination store and mass merchandiser under a single roof. Supercenters offer a wide variety of food, as well as nonfood merchandise, average more than 170,000 square feet, and typically devote as much as 40 percent of their space to grocery items.

Wholesale Club: Membership retail/wholesale hybrid with a limited variety of products presented in a warehouse-type environment. These 120,000-square-foot stores usually have 30 to 40 percent grocery sales and sell mostly large sizes and bulk sales.

Mass Merchandiser: *P*rimarily sells household items, electronic goods, and apparel, but also offers packaged food products.

Dollar Store: Limited assortment store that sells a variety of general merchandise and, increasingly, food products. These stores offer a wide assortment of basic household goods at very low prices (Leibtag 2005).

The key balancing variables driving the formats are efficiencies in the supply chain, promotion, assortment, and focuses on certain categories. Non-traditional retailers do not normally offer the same number of products offered in traditional stores, but they tend to focus on certain categories in high volume. Mass merchants, especially, tended to focus tremendous resources towards best in class pricing on certain key categories: household and cleaners, boxed and bagged cereal, pet food, confection, paper towels, bathroom tissue, and dry pasta (Capps and Griffin 1998).

In previous research, it was identified that shoppers enter a store with 20,000 choices, which consist of 5 new choices daily. This study also states the customer scans 300 items per minute (Laine, 2014).

In addition, some traditional supermarkets offer a distinct everyday low price format, with the high assortment and low everyday pricing. The distinct formats have served each of these retailers well, with customers easily choosing their shopping destinations based on their knowledge of the formats. Hino (2012) showed that the prevailing pattern of grocery consumers is that they divide their shopping between two or more stores each week, depending upon format needed.

THE RESEARCH GAP

The gap in the research identified is the need to understand what draws a person to a specific grocery store when they first move to a new area. A questionnaire was designed to determine the primary variables used when people choose certain grocery stores. In this study, two separate questionnaires were developed and administered with two different populations. Both sets of surveys were administered by social media, with a snowball progression, primarily delivered between college students- with a balance between the need to reach the general population and the convenience of being able to ask college students and their friends, since they would have more recently been in a situation where they had to choose a new grocery store. It is understood that this delivery method might limit the ability to generalize the results.

Research Objectives Questionnaire #1

The research design chosen for the first survey was descriptive. A questionnaire was designed to gather data as to what shoppers in general value most while grocery shopping. The design of the questionnaire first gathered demographic information. The author determined it was applicable to find out which grocery stores have been visited by our respondents. It was also determined the questionnaire data needed to show the extent to which our respondents have a loyalty to a certain grocery store. The survey was administered by social media, with a snowball progression, primarily delivered between college students- with a balance between the need to reach the general population and the convenience of being able to ask college students and their friends, since they would have more recently been in a situation where they had to choose a new grocery store.

For those who are loyal, the author thought it was necessary to determine what percentages of their shopping trips were to the store that held their loyalty. Next, the respondents were asked how long of a commute they would be willing to travel to shop at their preferred grocery store. Finally, the respondents were asked if they were to hypothetically move out of the area, which factors would they look for in the new store offerings. Before receiving responses to the questionnaire, the most prevalent research belief was that the most valuable attributes a grocery store can offer consumers is proximity to their residence and everyday low prices.

The units of measurement used in this research report were nominal and ordinal scales. Most of the questions aligned with measures that rely on labels or possess the characteristic of description and ranking responses made by respondents. The frame of reference used involves what consumers look for in a grocery store when moving to a new area. These objectives are best answered through qualitative questions and answers.

While considering all of these possible research objectives, a hypothesis was formed before conducting research about what was believed to be the possible outcome of our questionnaire. The hypothesis was “when consumers are new to the area, they choose the grocery store they think is the best.” However, it is important to define what makes a grocery store the “best” or better than their competitors. The constructs were set to define what the participants believe are the most important factors that make a grocery store the best. Constructs include factors like price, quality of products, services offered, the location of the grocery store, discounts and coupons, and overall shopping experience.

These are different features about grocery stores that can lead consumers to become loyal to a grocery store or draw them in when they are becoming a primary shopper. In order to then define which factor is the most important for consumers when they are new to an area and choosing a grocery store, a measure of constructs is completed to form conclusions.

Not only did the questionnaire need to determine the number one most important aspect to our participants, but also what they believe the second and third most important factors are. The author used ordinal measures as the unit of measurement for the research objectives. Then from the data collected, the author ranked respondents’ answers based of the most important, second most important, and third most important factors consumers look for when choosing a grocery store.

An action standard allows a definition as to what actions can be taken based upon the results of our findings from the questionnaire. Given the sample size of 99, the action standard is that at least 40% of the respondents must choose this attribute over other ones as their most desired characteristic when choosing a grocery store before taking action.

Results Questionnaire #1

Eighty-three percent of the adults in the United States make up the grocery shopper population. The primary shopper within households is made up of 57% women and 43% men (U.S. Grocery Shopper Trends 2015 Executive Summary, 2015). With the shopping population being made up of such a wide demographic, it was decided that a general release of the questionnaire would be sufficient.

The sample frame was quite small in the fact that respondents were exclusively personal acquaintances, making it a non-probability sample. This non-probability sampling came with some limitations. It was understood respondents were generally located in a small geographical area and were on the low end of the age spectrum. The goal for a sample size was 100, which would be a representative sample. When the questionnaire was finalized, the group sent the link to acquaintances via email and iMessage, along with posting it on Twitter and Facebook, to be seen and taken randomly by followers and friends.

When the responses were recorded, the final sample size was 70, and the respondents were 57% male and 43% female (Figure 3). This is evidence of the non-random sampling and exemplifies the limitations of the research. The age ranges of our respondents were on the low side, with 27 (39%) being aged 18 to 24, 8 (11%) being aged 25-34, and 10 (14%) falling within the 35 to 44 age range. Only 25 of our respondents (36%) were above age 45 (Figure 4). This is not representative of the shopping population, as the average grocery shopper in the United States is age 44 (Lake, 2015). Plus, the representation of males to females did not match what is normally reported as the primary shopper gender.

Some of our respondents answered what their personal salary is in college which is a minimum wage job not making more than a couple thousand dollars a year, so those individuals would be looking for cheap food options. Others used their families' income, which is mostly 6 figures with 91% of respondents having income over $50,000 a year (Figure 5). Over 50% of the respondents go to the grocery store once a week (Figure 6).

Over 50% of the respondents do not have a loyalty (Figure 7). The most telling result was the distance a shopper will be willing to travel with 52% wanting to travel 5 to 10 minutes to grocery shop (Figure 8). Lastly, if a family is new to an area, 81% would choose a store based on the proximity to their residence, followed by 66% each who would look for the variety of options and everyday low prices, and 45% chose quality of service as a deciding factor (Figure 9).

Research Objectives Questionnaire #2

Survey two gathered data using a questionnaire through the website Survey Monkey. The site is intuitive and displays summarized response data in several graphical formats. The author acquired a link to the questionnaire and sent it out via Facebook, texting friends/relatives, and email, using the snowball method to gain respondents. This method allowed a range of people from different age ranges, locations, etc. A digital questionnaire was the best way to gather the data because of the simplicity of sending the questionnaire out to many people. There is no cost associated with the use of Survey Monkey. There are also many benefits to using an online questionnaire, including it is fast and accurate, the data is easy to analyze, and it is flexible.

The survey was administered by social media, with a snowball progression, primarily delivered between college students- with a balance between the need to reach the general population and the convenience of being able to ask college students and their friends, since they would have more recently been in a situation where they had to choose a new grocery store.

Results Questionnaire #2

When addressing the question of, "*When you are new to an area, how do you determine where to shop?"* and, "*What drives the initial choice of "my" grocery store as you become a primary shopper (is it where your parents shopped, convenience to school, to work, to home?)"* the author decided to conduct descriptive research to analyze the results.

To solicit these responses, the author sent out a 23-question survey to individuals to respond as to how and why they pick a grocery store. In total, there were 99 individuals who participated in the survey, thus giving us a range of responses. Out of the 99 participants, 82.8% of them fell in the age range between 18 to 25 years of age. Those who fall into this age gap are considered Millennials. With that being said, it makes sense that 79.4% of these individuals are college students and have a low personal income. Since the majority of these respondents are in an age group where they are starting to live more independently, they are learning to establish their own buying habits. When looking at the responses from the question, "When choosing a grocery store, who/what do you turn to for advice?" most people replied saying they would ask their family and/or their friends. From this, it can be ascertained word-of-mouth marketing is more effective when determining a grocery store.

When trying to determine what most people value when choosing a grocery store, the author asked individuals how far would they travel to purchase groceries. From the results, respondents are slightly more willing to travel up to 10 to 20 minutes (45.5%) to a grocery store. Along with traveling, participants were asked if they are loyal to the current grocery store where they shop. Results show that 51.5% of respondents replied "no" to this question. This means that individuals are willing to switch grocery stores in order to fulfill their grocery needs.

When asked whether they purchase their groceries in stores, online, or both, almost all of our respondents chose "in stores" followed by "both" with 7.1%. There was a follow-up question asking those who chose "in store" if they were opposed to shopping for groceries online, and most of the responses said no. Lastly, respondents were given seven options to pick from and asked them their first, second, and third important factors when choosing a grocery store. The most important factor overall was "Quality of Products"(41.4%), followed by "Price" (30.3%), then "Location" (23.2%).

Sixty-six percent of survey respondents selected everyday low prices as a determining factor when selecting which grocery store as their primary shopping location, while only 32% deemed loyalty programs as a deciding factor. Sixty-six percent of respondents also answered with proximity to the residence as a deciding factor when picking their primary store. All the above responses are represented graphically in Figure 10

COMBINED RESULTS

Each survey came to different conclusions:

- Location (or proximity to residence) was the number one deciding factor in the first survey; which is also the number one factor in most research for why shoppers stay with stores, as well.
- Whereas, product quality was the primary factor in the second survey.
- In both, though, the top three variables were location, product quality, and price. Survey inconsistencies and demographic differences in the resulting population samples can potentially explain the variances in the rank of these three variables.
- The other striking result of the surveys is that both show a significant increase in multi-store shopping, which was not supported extensively in secondary research.

LIMITATIONS

Both surveys had issues with the representativeness of the sample sizes drawn for the study. Whereas polling students initially seemed like a well-focused sample group to determine how you find a store when you are new to an area, the income ranges between families and students caused too much discrepancy in the results. Any replication of the study will need to broaden the sample population to include all types of demographic and lifestyle levels. The results are mostly descriptive, which will also limit the ability to generalize the results to a larger population.

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