

Competitive Marketing Strategies
for Small Market
Grocery Store Businesses

by

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ABSTRACT

Small market grocery stores sell food products to smaller market communities. Implementing marketing strategies are an important part of a business plan, but can certain strategies have positive effects for any business? This study will examine if the suggested marketing strategies are being utilized by small market grocery businesses competing for customers in a competitive industry. This study can provide insight to small market grocery businesses on suggested strategies to retain current customers and possibly recover lost customers due to the competition in a fragmented industry. The study was conducted with an interview of 12 small market grocery store business managers or owners in Central and Western Wisconsin. The small market grocery businesses are located about 30-40 miles from a large corporate super center. The interviews focused on the marketing strategies of 12 small market grocery store businesses that have the competition of large corporate super centers. Two major findings were many of the suggested marketing strategies from the literature are being

utilized to some degree by all, and small market grocery store business owners have a great deal of trust in their grocery distributors.

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Chapter I: Introduction

Small market grocery store businesses are found in many rural communities or in the pockets of smaller communities that are located within larger populated areas throughout the United States of America. The small market grocery store is often an important anchor for many of these small communities and close-knit neighborhoods (Miller, 1999). Typically, these small grocery stores serve customers without cars or those who are conscious of when or where they use their cars. Many of these customers depend on the conveniences of their local grocery store. For other customers and communities, having a local grocery store is a signal of a community's economic viability (Morris & Heinselman, 2004).

The grocery industry has become very fragmented and the competition from the larger corporate super centers is fierce. The investors in the small market grocery stores simply cannot compete against the large budgets of the super centers. Unfortunately, many in this profession believe that the grocery industry has changed and it will only continue to change and get financially worse for many small market grocery stores and for many other small businesses.

Due to financial difficulties that may have resulted from the changing grocery industry, some small market grocery business managers and owners are at a cross roads in their business careers. The typical small market grocery store is usually locally owned and operated by either a single family or a small investment group. The square footage and annual sales vary and are somewhat dependent to the economic status of the communities in which they do business. Because of limited investors and the nature of these businesses, it is getting more difficult for the managers and business owners to turn

profits. For others, this news is the result of negative thinking. According to Nancy Miller (2001), managers of small family businesses who practice strategies focusing on extensive planning and controlling perceived their businesses to be successful. However, they do note that their greatest problem involves developing sound marketing strategies.

Over the past several years there has been a dramatic rise in the development of the large corporate super centers and the grocery industry has become very fragmented. The momentous growth of super centers is often leaving the small market grocery stores at a loss of what to do in order to retain current business and to regain lost business. Until the recent years, it was unheard of for gas stations, pharmacies or local hardware stores to carry grocery staple items such as milk, bread or cereals. When customers are able to pick up grocery staple items at the gas station or hardware store, the local grocery store has less customer traffic flowing through the aisles. When the consumer can stop their vehicle to fill up with gasoline and then grab a gallon of milk and a loaf of bread, this will stop them or delay them from entering the local store to get those items. In addition, when a customer shops in a grocery store, they select the items they “need” and in addition, they will do impulsive shopping. Those impulsive buys are often “wants” to the customer, but none the less, those items do increase the sales for the grocery business. This new era of grocery shopping has been prevalent in many larger markets, but now this marketing strategy for other businesses outside of the grocery industry has trickled into the sales of many small market grocery stores. The effects are being felt throughout the industry.

Those in the grocery industry suggest that small grocers can grow and even prosper in this fragmented industry and with the super center competition. Generally,

small market grocery stores cannot compete on the basis of price and selection of the super centers, but they can find their niche through special products and services that the superstores do not offer. According to Bill Orr, president of Bill's Fresh Markets,

we as independents need to admit that Wal-Mart is a great retailer, and we need to stop making excuses when they come to town. We must focus on all the things we do well, market ourselves, and work day in and day out to develop a niche market.

(Olszeski, 2005, p. 12).

Statement of the Problem

The emergence of super centers has had an effect on small market grocery stores. The grocery industry has changed and become very fragmented and the competition from the larger corporate super centers is fierce. The investors in the small market grocery stores simply cannot compete against the large budgets of the super centers.

Purpose of the Study

The main purpose of this study will be to examine the challenges that small market grocery store businesses are facing in the ever changing grocery industry and to provide business managers and owners with insight to what marketing strategies professionals in the industry are recommending. The study will examine stores that have utilized the strategies and the results they have experienced. In addition, the study will examine stores that have not utilized the strategies and the results they have experienced.

The suggested end result from this study will be to determine whether or not small market grocery stores can align themselves into a better position to retain current customers and possibly recover former customers and grow their sales based on utilizing any of the suggested marketing strategies.

The secondary benefits to this study would be (1) to provide small market grocery businesses an opportunity to take part in a study to compare their current marketing strategies to the marketing strategies suggested by grocery professionals and (2) to provide insight and exposure to the small market grocery store businesses on the professional resources used in this study in order to stay abreast of this ever changing industry.

Assumptions of the Study

The overall assumptions of this project follow:

1. The information collected from interviewees is provided honestly, to the best of their ability.
2. The information collected from participants and the recommendations of this study are relevant to all geographical areas, even though consumer demographics and geographic economics should be taken into account for each small market grocery business.

Definition of Terms

For the purpose of this study, the following terms are used in this research paper will be defined:

Card-based marketing programs. Programs that the retailers use to track consumer shopping activities (Hughes, 2006).

Cross-marketing. Blending marketing strategies to blanket more than one target group of customers (Rice, 1991). Because of limited financial resources, this is typically used by many small business owners.

Death spiral. A term used in the grocery industry when the business starts losing sales (Freeman, 2003). Once sales start to decline, a business owner will typically try to save on expenses on labor and product. They tighten up the labor and order less product. These two steps turn off customers and customers will leave to shop elsewhere and the spiral continues to worsen.

Market strategies. Marketing devices or tools obtained from research (Rice, 1991). Typically market strategies are tactical and strategic plans build toward the goals and objectives of the organization.

Perimeter departments. The exterior departments of a retail establishment (Mc Taggart, 2004). Based on marketing and consumer trends, the perimeter departments are typically a draw for consumers. Examples would include fresh meat or fresh produce.

Point of sale (POS). The place where the products are sold or purchased (Hughes, 2006). It is the last in-store location of servicing the customer.

Showcase department. In the grocery industry, showcase department refers to how visually appealing the department is to the customer (Mc Taggart, 2004).

Although any department can be showcase, grocers typically strive to have their perimeter departments showcase ready for each customer.

Shut-ins. People who are unable to get out of their dwelling because of their disabilities, illness or even lack of transportation (Loehlein & Ryan, 2002).

Signature store brands. Enhances the grocers' ability to enrich their product selection to appeal to a broader customer base (Loehlein & Ryan, 2002). The store would have their brand name or go with their grocery distributor's brand.

Super-centers. Large retail facilities that house large quantities of consumer goods and services (Morris & Heinselman, 2004). Typically these investors have a larger buying power.

Stock keeping unit (SKU). SKUs are used in inventory management systems by merchants to track products (Wikipedia, 2006).

Limitations of the Study

Four of the main limitations of this study are as follows:

1. This study is limited to small market grocery stores in communities that have a population of less than 5,000 residents and are located about 30-40 miles away from a super center.
2. The number of small market stores that are available to participate in this research is a limitation. Some small market grocery stores have closed their business doors due to financial difficulties, the competition and the state of the industry.

3. Many small market grocery stores are privately owned and typically do not provide or share financial figures or marketing strategy plans with others outside of the business.
4. Large corporations with super centers do not share their plans of when or where they plan to build their super centers until it is announced by the county or city planning commission.

Methodology

The researcher used a mailing list from a professional grocery affiliation to identify participants. The participants were selected based on their market population and on their geographic location from super centers.

The researcher requested background information (Appendix A) and conducted in-person interviews with the participants. The interview questions (Appendix B) pertain to the current business status in relation to the industry changes, the businesses' use of the marketing strategies that many experts in the field are recommending, and the background history of the business owner or manager.

The following chapters will provide research on the grocery industry today and professionals' suggestions on techniques for small market grocery stores to retain current customers and recover former customers.

Chapter II: Review of Related Literature

With the aggressive growth plans of the super center competition and a fragmented state of the grocery industry, many small market grocery stores are being faced with new challenges (Mc Taggart, 2004). Small market independent businesses of America are now facing the changes that large market and large corporate businesses faced in the 1990s. Small market grocery stores are being faced with the reality of losing business to large corporation super centers.

Recent industry trends and research have suggested marketing strategies that will help the small market grocery businesses reinvent their business in order to be competitive with the large corporate super centers. The literature review section of this project will examine topics that are directly related to the stated problem. The researcher used a variety of tools to collect data on this subject and categorized topics that focus on the study: 1) history of small market grocery stores, 2) the growth of super centers, 3) suggested marketing strategies for small market grocery stores, and 4) managing and operating small businesses.

History of Small Market Grocery Stores

Grocery stores are familiar to many who shop for food products. Depending on the business objectives, the store will sell an assortment of fresh and preserved foods that are primarily for preparation and consumption at home. The working conditions in most grocery stores are pleasant. Because of the nature of the business, most grocery stores are clean and well-lit and provide climate-controlled surroundings. Depending on department needs and the season of the year, the work can be hectic. Servicing customers and their families can be very rewarding, and yet dealing with customers can sometimes be

stressful. Workers are needed throughout the day. Depending on the business hours of operation, workers are needed for early morning, late night, weekends, and in many cases, holidays. A majority of the employees typically work part-time or fewer than 30 hours a week. Because of this, these jobs are particularly attractive to workers who have other personal or professional responsibilities or who have little work experience.

Grocery store employees perform a variety of tasks. Some of the tasks include stocking shelves on the sales floor, preparing food and other goods, assisting customers, and providing support services to the establishment. Janitors and cleaners keep the stores clean and orderly. Department managers direct their specific department needs and supervise mostly entry-level employees. Store managers are responsible for the efficient and profitable operation of the entire grocery business. All of the employees are responsible for servicing the customers either directly or indirectly. Most grocery store jobs are entry level and can be learned in a short time. Employers generally prefer mature high school graduates for occupations such as cashier, stock clerk, or counter worker. Until the last decade, grocery stores provided basically similar products and services and varied a little based on the size of the market. The experience and education of the store managers and business owners vary depending on the size of the organization.

In the past, many entrepreneurs invested in owning their own small businesses and the grocery industry was not exempt from small business entrepreneurs. In fact, there was a time in history when the grocery industry was made up a relatively large number of independent store owners (Morris & Heinselman, 2004). Some of those owners continued the American dream and purchased and developed more than one store.

Prior to 1950, most groceries were sold in many small grocery stores (Freeman, 2003). The grocery owners knew their vendors and customers by name and most likely knew their grocery preferences. They would put things aside for their customers and these special encounters helped them build the business through recognizing the customer and doing favors for them. Customers were loyal to these businesses because of the recognition and personal attention they received.

According to Ayres and Stone, economic and community development specialists, the financial viability of rural retail businesses has become a major concern (as cited in Kean et al., 1998). There are many economic factors that have influenced and have restructured the rural and urban small business organizations. Many of these successful businesses can enhance rural and small communities through activities such as manufacturing, finance, transportation, construction, as well as the distribution of both agriculture and consumer related goods and services (Miller, 2001). According to the article, "Effects of Community Characteristics," (Kean et al.) the significant changes have taken place in the business environment are due to economic restructuring nationwide and internationally.

The impact of the changes in this industry has had dramatic economic consequences to small communities (Morris & Heinselmann, 2004). The consequences trickle down not only on the senior citizens and those without cars; it has a direct impact on other community members as well. For instance, many young adults start their employment history working for the local grocery business. These entry-level positions assist in the development of their leadership and interpersonal skills. Many stay at home spouses work part-time at the local grocery store in order to supplement their family

income. Other small market businesses rely on supporting each other, and that support comes in many ways such as product and merchandise availability and a general presence in the community. Some of those businesses may need the local store to replenish their food or product items. For example, the local schools may fall short of food items for the students' lunches or office products for their operations or the local cafés may be in need of additional meats or produce items to serve their customers. Groceries are a necessity, even for those who are looking for the basic household staples. One of the greatest attributes of a small market grocery store is to the town's economy. Other businesses rely on the local grocery stores ability to pull in a traffic base of customers who come to town to get their groceries. When those customers come to town, they will typically stop at the local bank to do their banking, the hardware store or feed mill to pick up tools or supplies, fill up with gasoline at the local gas station, and they may stop at the local café to have lunch and chat with other community members. Lastly, the grocery store does contribute to the community's tax base, which helps everyone who lives there.

The Growth of Super Centers

According to Hughes (2006), the advent of computers changed our lives, and computers have become sophisticated and powerful. We live in an era where we regularly discuss the global economy. In addition, the consumer has become more educated, more informed and in greater need of conveniences. The consumer's standard of living has increased. Somewhere in this process, mass marketing took over.

The average store in the 1950s had about 800 SKUs on their shelves; a low number in comparison to over 30,000 SKUs in today's small market grocery store (Hughes, 2006). In this mass marketing information age, prices of consumer goods

started to decline and variety increased. Customers were loyal until they read tomorrow's newspaper, when they saw coupons for something at another store.

Virtually all sales organizations began to change because of the computer and technology (Hughes, 2006). In the past 15 years, computers have become very sophisticated and powerful, which allowed decision makers in the larger corporations to become more aggressive in the market share. Because of this and the mass marketing, many large corporate super center retail chains were able to position themselves as a leader in lower discount pricing and a larger SKU selection.

The large corporation retailers started to become powerful and their practices began ringing throughout the U.S. economy. Because the super centers grew relatively well over the course of a few years, they developed an enormous buying power. The large corporations behind the super centers were in a position to influence the manufactures of virtually all household products, which has enabled them to dictate everything from pricing to packaging (Hughes, 2006). Because of their enormous buying power and business practices of low labor costs, they have been able to sell their goods at lower prices. In some aspects, this in turn has trained the consumers to expect deep discounts everywhere they shop, forcing competing retailers to follow suit or fall behind.

In addition, the leaders of the large corporate super centers had hiring and contracting practices that were relatively different then what the industry practiced in the past. They rely heavily on lower paid part-time workers who are often under educated or who are immigrated workers. Super centers generally hire and contract a non-unionized work force that typically earns a wage of about \$7 to \$8 an hour (Schneider & ElBoghdady, 2003). It is estimated that about 62% of one of the major super center's

workers are eligible for health care benefits, but less than half of the workforce participates. Critics say the low participation is because the super center giant requires steep employee contributions. Initially the practice of contracting non-unionized workers was challenged by labor unions. However, the momentum of consumer purchases shadowed the labor unions attempts to discredit the corporation.

According to Michael J. Silverstein, a senior vice president at Boston Consulting Group (as cited in Schneider & ElBoghdady, 2003),

for supermarkets that operate on razor-thin profit margins, labor is perhaps the highest cost of doing business....The less you pay for labor, the lower your prices can be. The grocery store is a war zone, and the weak are going down fast -- and with them go a lot of jobs. (p. A01)

The super centers have labor costs roughly 20 to 30% lower than those of unionized supermarkets, according to a study from the consulting firm Retail Forward (Schneider & ElBoghdady, 2003). As a result, groceries at the super centers can cost about 15% less than the competition. Retail Forward concluded that for every super center that opens in the next five years, two supermarkets will close their doors (as cited in Schneider and ElBoghdady). That means the supermarket industry could lose 2,000 more stores over the next five years, or 400 a year.

It is unlikely that any other U.S. food retailer will catch up to the super centers. It is estimated that by 2007, the largest super center retail chain should capture 35% of supermarket industry sales and double the number of its super centers (Schneider & ElBoghdady, 2003). The super center companies are applying the same heavy pressure on grocery suppliers that it exerts on makers of other consumer goods, leaving them

indebted to the retailing giant for a significant part of their revenue. Based on this information and the stated figures, the super centers slowly drew consumers into their retail establishments; in recent years, they have increased their momentum, leaving other retailers empty and losing business and businesses.

Suggested Marketing Strategies for Small Market Grocery Store Businesses

The reactions to the changes in the grocery industry are very mixed. The typical small market grocery store is usually locally owned and operated by either a single family or a small investment group; many do not have the financial resources to reinvent their business. Some simply see the times have changed and they decide to not risk investing additional resources into their business that is decreasing in sales. Because of this, some decide to close their doors due to bankruptcy or to prevent bankruptcy while others will continue to work at improving sales. If that means investing more money into the business to get those customers back they will do it, and yet others believe in not changing a thing and feel they are riding out a storm.

Small market grocery business owners may want to change but are fearful and ignorant to what needs to be done. For many, these businesses have been handed down from one generation to the next, and the advice from mom and dad on how to run the family business may no longer be reliable or safe. Who do these business managers and owners turn to for professional advice?

There is an agreement among many in this industry that the grocery industry is facing new challenges and is currently in a flux. Due to the fragmentation of the industry and the development of large corporate super centers, small market grocery stores are struggling and disappearing at an alarming rate. The current state of the grocery industry

is facing new challenges and operating the grocery store the way it was operated in the past could possibly lead that grocery business into what is known in the grocery industry as the “death spiral” (Freeman, 2003). The “death spiral” is a term used in the grocery industry when a grocery store starts to lose sales and the business owner will typically try to save on labor or product expenses. Customers start noticing the lack of product and service and could leave to shop elsewhere and the spiral continues to worsen.

Many in the grocery industry are suggesting that small market grocers can grow and prosper even with new superstore competition. Generally, small food stores cannot compete on the basis of price and selection, but they can find special products and services that the superstores do not offer.

One of the most stated strategies was to gain customer loyalty through consistent value and an exceptional shopping experience (Sirohi, McLaughlin, & Wittink, 1998). Market research analysts believe that exceptional customer service is one of the most prevalent strategies to compete with the super centers. According to BusinessTown.com, small market grocery stores need to establish their niche in customer service and look at training their employees on this strategy (“Managing a Small Business,” 2001).

The “anonymity” that prevails in the environment of business and socially in the large markets is not a factor in small markets. This is one of the more important factors in acknowledging ways to provide an exceptional shopping experience for customers. The anonymity factor means that in small markets the local officials are accessible to you and others, including your neighbors and everyone else. In a small town, people who are testifying before the City Council or the Planning Commission are most likely your friends or relatives. In smaller markets, there is almost always some connection to the

customers who shop in the local grocery store. That also means that grocery store business owners need to be accessible as well. It is a fact that no matter the size or the community, knowing your customers is critical. In small markets, it can make or break the business. An example could be that the phone call a business owner does not return could be a devoted customer's cousin or the parent of your child's friend. Consumers in the larger markets are accustomed to anonymity in their personal and professional lives. However, consumers in small markets are used to knowing their grocery store clerk, their insurance agent, their realtor, their attorney and they are used to the courteous helpful service that these lifelong relationships ensure.

According to Jody Padgham (2005), customers are the lifeblood to businesses and it is crucial to maximize customer satisfaction. Padgham states that it costs about five times more to bring in a new customer than to keep an existing one. Customer complaints should be recognized as constructive criticism and that feedback can be used to improve your business. In addition, Padgham makes a profound statement about what strategy she believes is beneficial to grocery employers: small businesses need to work with their employees on customer relation skills regardless of the frequency or type of contact the employees have with customers.

Padgham (2005) offers six suggestions on what marketing strategies for small businesses which follow. For the most part, she believes people skills are often overlooked and are needed to be successful in small markets.

1. Offer quality products, including meat and produce. This is one of the most important reasons consumers cited for buying directly from farmers.

2. Develop good people skills and take an inventory of your attitude. People skills are essential to direct marketers.
3. Get to know your customers and let them know you appreciate their business. Everyone values someone who calls us by name or inquires about their well being.
4. Be creative and use attractive packaging to improve sales of products. During the holiday season, spice up products and displays.
5. Provide samples for your customers. Sampling is a good way to draw new customers to the products that they may not have originally planned to purchase.
6. Be creative and bring in new products and remodel departments often. Customers in the grocery industry like variety and are always looking for new products. Grocery stores that bring in new products and remodel frequently have been more successful in their business.

Loehlein and Ryan (2002) explain that by utilizing strategies suggested by experts in the industry, the small market grocery business can gain customer loyalty through consistent value and positive shopping experiences. Because small stores cannot compete on the basis of price and selection, they must attempt to find special products and services that the super centers do not offer.

1. Emphasize good customer service (Loehlein & Ryan, 2002). Service is a weakness for the large super center. The large super centers are unable to provide fast and friendly service. One of the savings tools that the larger stores often use is limited labor. They do not staff enough employees or managers to solve customer problems. It is very typical for smaller grocery stores employees and customers to

know each other or have ties to each other. The environment is that employees and customers know each other. Also, the service goes beyond the point of sale. For example, baggers carry groceries out to cars or deliver to shut-in senior citizens or disabled customers.

2. Offer conveniences (Loehlein & Ryan, 2002). Today's families are busy professional and full of activities. Consumers are looking for a one-stop shopping. Some conveniences would include banking, ATM service, childcare, pharmacy, restaurants, photofinishing, mail services, etc. Small market grocers should look at how to fit additional services in their limited space.
3. Use technology (Loehlein & Ryan, 2002). Newer technology such as self-checkout lanes are being installed in many stores today. Although the use of new technology is a large investment for the small market grocer, they should also look at the costs of not implementing new technology.
4. Enhance the store atmosphere to make the customer more at ease with shopping (Loehlein & Ryan, 2002). This can be done by ensuring there is ample lighting in each department and that the floor plan is free of obstacles. Ensure the store is easy to shop in and is clean and modern. This can be accomplished by limiting displays in the aisles.
5. Provide extra convenience services for the elderly and disabled citizens (Loehlein & Ryan, 2002). Shopping by phone is a great service for elderly, disabled, and those who are in a hurry. It allows the grocer and the employees to provide a personal touch to those in need by offering home deliveries to seniors, disabled

citizens and others who are shut-in due to transportation issues. It also would be appreciated by people who simply have trouble finding the time to grocery shop.

6. Collaborate with other local small market stores (Loehlein & Ryan, 2002).
Provide products and service that are not duplicated by other local businesses.
7. Co-brand with other food businesses to share space to lessen the overhead costs; for example partner with organic farmers or a local bakery (Loehlein & Ryan, 2002).
8. Take the sales wherever you can get the sales (Loehlein & Ryan, 2002). Small market grocers should pay attention to their key market segments including walking-distance residents. In addition, they must recognize that other market segments, such as tourists, may provide the additional sales volume to make the business profitable.
9. Sell high quality perishable food (Loehlein & Ryan, 2002). According to industry trends, customers indicate that quality and freshness are often more important than price. Quality fruits, vegetables and meats as well as use-before and sell-by dates are some of the most important factors in selecting a store. Most chains are weak on perishable foods. Some believe that fresh food sections will grow in popularity while canned and boxed good sections - the strength of superstores - are shrinking.
10. Ready-to-eat foods (Loehlein & Ryan, 2002). Today's fast-paced lifestyle is responsible for the steady growth in away-from-home food expenditures. This leads to a decline in sales on items for in-home consumption. Grocery stores can

regain lost sales by preparing ready-to-eat healthy and fast foods, such as salads, soups, sandwiches and pastas. Consider investing in an in-store café.

11. Offer unique foods such as gourmet items (i.e. fresh breads, deli meats, and desserts), organic and vegetarian items, extensive herbs and spices, imported wines and beers and seasonal items which can differentiate a store from the competition (Loehlein & Ryan, 2002).
12. Do not compete on price alone (Loehlein & Ryan, 2002). Some industry experts have argued that price is not as important as quality and freshness. However, prices should be reasonable in the eyes of the consumer. Develop marketing strategies on price with wholesalers and direct store delivery companies.

In addition, Loehlein and Ryan (2002) address the fact that even with effective business and marketing strategies, some small grocery stores are unable to succeed on their own. Because of this, they also recommend three community strategies to keeping the small market grocery stores open:

1. Local municipalities may offer financial assistance to help the store upgrade and commit to staying in town.
2. Establishing a co-op provides employees and regular customers the ability to become paying members. This gives them a say in the operations and residents become shareholders with a membership buy-in.
3. Creating a marketplace similar to a farmers' market, but in a permanent enclosed structure in which local vendors can operate space for bakery, meats, produce, wine and liquor, and other items. They can rent space from the grocery that owns the building and operates the space.

In recent years there have been significant changes in the business environment due to economic restructuring. The effects of these changes have been felt throughout the Midwest and South. The restructuring has caused stress on many small and rural communities. It is because of these changes and stresses that some scholars advocate that small businesses utilize a combination of multiple strategies (Kean et al., 1998).

Typically small market grocery businesses have limited budgets. According to Frederick Rice (1991), small market business owners should develop the skills to hear what customers and potential customers are telling them. Rice suggests utilizing some techniques such as developing an advisory board of local people whose opinions you respect and to act as a sounding board for new ideas. He also suggests using an informal survey. Customers will provide feedback if they are allowed to complete an anonymous survey. Rice lists several other suggestions such as focus groups, brainstorming groups, complaint analysis and a comparison shop.

According to the article "Managing Family Businesses in Small Communities," there is an important element that should be addressed that applies to marketing strategies (Miller, 2001). This element is the process of managing a business consisting of four major functions that overlap with each other and are directed toward the organization's objectives. The functions are planning, organizing, leading and controlling. In smaller businesses, one should ask: (1) who is doing the planning of setting objectives; (2) who is organizing resources necessary for implementing the objective plans; (3) who is leading the function of employees and others to accomplish the objectives; and (4) who is controlling whether the objectives are being met or evaluating an alternative plan for

achieving the objectives. This is an important factor in managing any type of business, and the small family business should not be exempt from these functions.

There are many attributes to managing a successful small family business including the functioning of the family, managing the business, developing the goals and objectives, and evaluating the effectiveness of the boundaries between the business systems (Hilburt-Davis & Dyer, 2003). Business management experts agree that marketing strategies are effective, but that they are only as effective as the management leading them.

Although Rice's 1991 article "Marketing Strategies for the Growing Business" is dated, he makes a few critical points worth mentioning. He explains that marketing strategies exist for the customer, and marketing concepts are plans that view all marketing components as part of a total system that requires planning, organization, leadership and control. In addition, he feels these functions are an important element of any business and all business policies and activities should be aimed at satisfying customer needs.

Managing and Operating Small Businesses

According to Porter (1980), the ability of firms to survive in the business environment is dependent upon their selection and implementation of a competitive strategy that differentiates them from competitors (as cited in Kean et al., 1998).

Frederick Rice's study suggests that the small business owners need to first conduct self-assessments of their past marketing strategies (1991). By finding and using a marketing analysis, business owners will be able to first analyze what their competitive advantages are, and what they do best. In addition, they will be able to better identify

specific markets that they now serve and determine what the wants and needs of the current customer are.

A majority of grocery distributors that provide the groceries to the independent small businesses do provide counsel, retail specialists, without a charge. Often these retail specialists visit the stores and can conduct a needs assessment of how the store can enhance their business. In addition, retail specialists are informed of current trends and of what competitors are doing in their businesses. The retail specialists and the small market business owners need to develop a professional relationship that is somewhat dependent on respect and on trust and confidence in each other.

Hilburt-Davis and Dyer (2003), Miller (2001) and Rice (1991) make critical statements about business management. These points were not discussed in the marketing strategies literature or they were briefly touched upon. In general, Hilburt-Davis and Dyer, Miller, and Rice state that all businesses must have functions of planning, organizing, leading and controlling the business. In addition, there are attributes to managing a successful small family business such as the functioning of the family, managing the business, developing of the goals and objectives, and evaluating the effectiveness of the boundaries between the business systems. In another words, they state that marketing strategies are effective, but that they are only as effective as the management leading them.

In order to implement change in the workplace and raise the bar of standards and expectations, the small market grocery business managers and owners need to evaluate their own leadership skills--particularly to change management and in coaching and mentoring others. With the rapid changes occurring in the Unites States of America and,

more importantly, in order to be successful in today's workplace, managers have to fully understand the depths of human behavior (Nigro, 2003). Many of the larger corporations invest in massive research in customer shopping trends and in training their employees. In order to maximize the performance of employees in the business, the managers and owners need to determine what customers in their locations like and how can they motivate their employees to exceed customer expectations.

Chapter III Methodology

The purpose of this study is to examine the challenges that small market grocery store businesses are facing in today's grocery industry and to determine whether or not marketing strategies are beneficial. The study will investigate stores that have utilized the strategies versus stores that have not utilized the strategies and the results they have experienced.

The end result from this study will be to determine whether or not small market grocery stores can align themselves into a better position to retain current customers and to possibly recover former customers and increase their sales by utilizing suggested marketing strategies.

The secondary benefits to this study would be (1) to provide small market grocery businesses an opportunity to compare their current marketing strategies to the marketing strategies suggested by grocery professionals; (2) to provide small market grocery businesses the opportunity to take part in a study to compare their businesses to other grocery businesses in similar situations; and (3) to provide insight and exposure to the small market grocery store businesses on the professional resources used in this study in order to stay abreast of this ever changing industry.

Subject Selection and Description

A mail list of small market grocery store businesses will be used to select 12 independently owned and operated small market grocery stores that are about 30 miles of a large corporate super center. A background questionnaire will be used to represent the demographics of the businesses and owners to see what is being represented in this study (Appendix A).

Instrumentation

The research design involved multiple steps. Based on the literature review in Chapter II, the first step was to develop a 12-item questionnaire interview (Appendix B). The questions were designed to assess the small market stores' utilization of the strategies suggested by the experts. The researcher will conduct in-person interviews with 12 owners of small market grocery stores. The questions are directed to current conditions and changes that were or may have been implemented within the last three years.

Data Collection Procedure

The owners of the independent small market grocery stores will be contacted via telephone to determine their interest in participating in this study. The researcher will interview the grocery store business managers or owners who are interested.

Data Analysis

The researcher will collect the data from 12 grocery stores located in Central and Western Wisconsin. The 12 locations were selected because of their business size, their distance from a super center, and their proximity to the researcher. The researcher will drive to the business locations to conduct the interviews with the business managers or owners. The interested business managers or owners will read and sign consent forms prior to completing the background information and being interviewed. The researcher will not document information critical to the identity of the businesses or of the managers or owners on the data collection tools.

Limitations of Methodology

The first limitation of this study regards the information obtained from the interviews. It is very possible that by interviewing business owners face-to-face about their business marketing strategies, some responses will not be accurate based on trust and confidentiality.

Another limitation is that the marketing strategies could vary from one geographical location to the next and are very dependent on the economic conditions for that market. For example, two stores similar in square footage and grocery sales may have totally different responses to utilizing the same marketing strategies.

Lastly, the study did not include the leadership and management competencies of the small businesses. Further studies would need to include this area in order to retrieve and analyze additional detailed information.

Chapter IV: Results

This chapter reports the results of the interviews with 12 small market grocery stores that are located throughout the Central and Western Wisconsin area. The purpose of the study was to examine the challenges that small market grocery stores are facing in the ever changing grocery industry and to provide business managers and owners with an insight to marketing strategies professionals in the industry are recommending. The study will examine stores that implemented the suggested strategies and the results they experienced.

The researcher interviewed 12 small market grocery store businesses from June 22, 2006 to June 30, 2006. The interviews examined their knowledge and implementation of the suggested marketing strategies. The marketing strategies are looked at by many in the grocery industry as tools to retain and possibly recover customer sales from large corporate super centers. The researcher had intended to interview 14 stores; however, one store did not meet the criteria for the study and the other store backed out for personal reasons.

Background Information Results

The researcher had the subjects complete an eight question background information sheet. The first two questions were asked to determine the subjects' experience and training in the grocery industry. The third and fourth questions were to determine their proximity to a large corporate super center. The last four questions of the background information were to determine if the store experienced a super center opening within the area of their customer base and, if they did, what the affect on their sales was and what strategies they implemented to retain and recover customers. The

following tables and text display the answers provided by the subjects for their background information.

As shown in Table 1, the professional experience of all subjects is relatively high. A majority of the subjects have over 15+ years experience in the industry.

Table 1

Participants' Years of Experience in the Grocery Business

Years	Frequency	Percent
<4	0	0
5-9	0	0
10-15	1	8.3
15-19	5	41.6
20+	6	50

Table 2 shows that all subjects either gained their experience from business being in their families or from receiving on-the-job training. No one indicated that they gained their experience as an apprentice or from an additional education.

Table 2

Participants' Training in the Grocery Business

Type	Frequency	Percent
Family Business	7	58.3
Apprentice	0	0
On-the-Job Training	5	41.6
Technical or College	0	0

Although there were two participants in question 3 that had super centers just outside of the 30 miles, the proximity of a large corporate super center affected all of them (see Table 3). In addition, all 12 interviewed had another independent grocery store business within 30 miles of their business (see Table 4).

Table 3

Distance Between Participants' Stores and a Super Center

Miles	Frequency	Percent
<10	1	8.3
11-20	2	16.6
20-29	7	58.3
30+	2	16.6

Table 4

Distance Between Participants' Stores and a Another Independent Grocery Store

Miles	Frequency	Percent
<10	2	16.6
11-20	9	75
20-29	1	8.3
30+	0	0

Eight out of the 12 subjects indicated in response to question 5 that the opening of the super center did, in fact, affect their sales. Table 5 shows the decrease in their sales, increase in sales, and timeframe to recover lost sales. The decrease varied from 0.50% to

13%. In addition, the regaining of sales varied from 0% up to 8%. Lastly, the timeframe to regain those sales varied from 0 to 36 months. There was a vast difference in the timeframe that it took to regain those lost sales. Four indicated that they were able to regain some of their sales within less than six months, three indicated that it took 12-36 months and, at the time of this study, one had not regained their sales. One store indicated that they lost .50 percent of sales, but recovered 1.5 percent within three months. The business owner explained why this happened and it was related to his competition other than the super center.

Table 5

Sales Information from Participants Affected by a Super Center

% Decrease in Sales	% Increase in Sales	Timeframe (Months) to
		Recover Lost Sales
0.50	1.5	3
7	3	3
8	0	0
12	5	5
7	5	3
13	8	12
15	5	36
10	6	12

Responses to question 7 indicated that seven of the eight subjects from question 6 did implement marketing strategies. All of the subjects that did implement some of the

suggested marketing strategies experienced a recovery of lost sales; however, none of the subjects regained all of the loss due to the competition.

Out of the eight subjects that experienced an opening of a super center, seven implemented marketing strategies such as promoting their quality freshness in meats and produce, in store remodeling efforts, in-store specials, and community events such as fund raisers and educational activities. The one store that lost sales and indicated they did not implement any additional marketing strategies had just recently encountered the large corporate super center. Even previous to a super center opening, this business owner had the philosophy that their store has always operated with the intention of retaining their customers with continuous quality service and products.

The final question determined how the business managers and owners inform themselves and their team of current grocery trends. As indicated in Table 6, responses to question 8 indicated that a majority of the businesses, 8 out of 12 indicated that they first rely on their distributor retail specialists or on the distributor leadership for information on current successes in the industry while the other 4 of the 12 indicated they search for answers from other sources, such as visiting other stores, seminars, magazines and professional organizations. For their second choice, again 8 out of 12 indicated that they rely on their distributor retail specialists or on the distributor leadership for information. For their second choice for obtaining information, two of the 12 indicated that grocery magazines are their second choices and the other two of the 12 indicated that they do their own benchmarking. These findings indicate there is a great deal of trust on behalf of the business owners toward the companies that supply their stores.

Table 6

Means to Inform Self and Others of Current Grocery Trends

Category	Frequency					
	1 st Choice	2 nd Choice	3 rd Choice	4 th Choice	5 th Choice	6 th Choice
Retail Specialists	6	4	0	0	2	0
Grocery Magazines	0	2	0	4	6	0
Primary Distributor	2	4	6	0	0	0
Benchmarking on Own	2	2	0	6	2	0
Seminars & Conferences	2	0	6	2	2	0
Other: Internet, Prof. Orgs, Vendors	0	0	0	0	0	2

Interview Question Results

The interview questions focused on actual marketing strategies that businesses are currently using, such as the conditions of the atmosphere and the services and products that are offered to customers.

The first question asked about the services and conveniences offered to customers. As shown in Table 7, nine of the 12 stores stated that they carry-out without the customer asking for it. Two stores provided a drive-up service. Ten offered photofinishing services and eight provided office services such as faxing, copying and email.

Table 7

Services and Conveniences Offered to Customers

Service/Convenience	Frequency
Carry out services	9
ATM services	5
Other banking services	3
Postal services	2
Utilities pay station	5
Video	4
Pharmacy	2
Photofinishing	10
Dry cleaning services	4
Office services (i.e., faxing, email and copying services)	8

The second question asked about the atmospheric conditions in their stores. Out of the 12 interviewed, nine indicated they look at atmosphere conditions and three had no response (see Table 8). Of the nine that looked at atmospheric conditions, all nine indicated that merchandising plans, lighting and cleanliness of floors and displays were extremely important for their customer's ease of shopping. In addition, seven indicated that department décor and restroom cleanliness were important.

Table 8

Atmospheric Conditions

Option	Frequency
Merchandising plans for easy shopping	9
Ensuring proper and ample lighting	9
Department décor plans	7
Cleanliness of floors, fixtures, walls and displays	9
Restroom cleanliness	7
No response	3

The third question determined what services are provided to the elderly or disabled, as seen in Table 9. Seven of the 12 interviewees indicated that they provide deliveries for shut-ins or disabled customers. In addition, one store indicated that once a week they provide transportation to and from the store for a large assisted living center and they provided blood pressure screening on that same day. Of those who did provide services to the elderly or disabled, the most common offerings were wheelchairs and a senior citizen discount day with shopper assistance.

Table 9

Services Provided for Elderly and Disabled

Service	Frequency
Senior discount day	5
Transportation to and from store	1
Blood pressure screening	1
Home deliveries	7
Wheelchairs	5
No response	2

Responses to question 4 indicated that 12 of the stores utilized technology to better service their customers at the check-out lanes. Table 10 provides types of technology and numbers of participants who utilized each. Eleven of the twelve use technology for ordering grocery products from their distributor. Although all utilized different means of technology, there were great variances from store to store on the age and ability of their technology systems. Nine of the 12 use radio frequency (RF) portable data terminals. The RF units assist in pricing, receiving in product, shelf labels and product verification. All stores indicated that they would like to spend more on their electronic systems; however, the cost was a major factor in making that decision.

Table 10

Technology Utilized to Provide Accuracy

Technology	Frequency
Staffed check-out scanners	12
Radio frequency portable data terminal	9
Electronic ordering	11

Questions 5, 6 and 7 were to determine if there were additional merchandising plans in order to establish their “niche” or strategy to set them apart from other retailers and super centers. Question 5 examined specialty items from local businesses that were brought into the store on consignment or trial basis. Half of the stores interviewed offer this. Table 11 is a breakdown of some of the more popular items that customers request. Rarely are these items found in the super centers and the business relationships can be an effective marketing strategy in small markets since these items may differentiate the small stores from the larger super centers.

Table 11

Products Offered in Collaboration with Other Small Market Businesses

Product	Frequency
Pure honey	6
Pure maple syrup	6
Arts and crafts (Amish/Mennonite/local artist)	5
Pizza/frozen items	3
Fresh product from local growers	4
Floral	3

Question 6 asked about participants' strategies for working with other retailers to provide products or services that were not duplicated. Of the 12 subjects, four utilize this strategy. Of the four, all work with other grocery businesses and two share costs associated with getting the product into their stores.

Question 7 was used to determine if the business managers and owners look at who their customers outside of their regular customers. Seven of the 12 participants did not respond. Five stated that "yes," they do look at outside customers. All five indicated that they look at tourism to capture sales. In addition, one store indicated that their market has limited hardware items, so they provide some camping and grilling items in their store.

Question 8 determined the top three departments that pulled customers into the store. See Table 12 for details. Nine of the 12 stated number one and two were quality and freshness in both the produce and meat departments. The deli and bakery came in

second for those stores. The other three stores indicated that their deli and bakery departments were the primary departments that pulled customers into their stores. One store indicated that all of the departments were equal.

Table 12

Departments that Draw in Customers

Department	Frequency
Quality and freshness in fruits and vegetables	9
Deli / bakery	10
Grocery	2
Quality meats	9
All departments	1

Question 9 looked at what convenient ready-to-eat services were available. All 12 indicated that they do have delis and bakeries that do relatively well in sales. See Table 13 for products/services offered and frequencies.

Table 13

Deli / Ready-to-Eat Services

Product	Frequency
Prepared deli sandwiches and salads in cold case	10
Ready-to-eat dinners (hot or cold)	11
In store café	2

Question 10 provided a sample of the variety specialty items offered in some of the stores. Although some of these items are highly dependent on the ethnic

demographics of the stores, some are important items for customers with dietary restrictions.

Table 14

Gourmet or Specialty Ethnic Items Offered

Offering	Frequency
Fresh Bakery breads	10
Fresh Deli Meats	11
Organic and Vegetarian Items	2
Ethnic Foods	6
Imported wines and beers	5

Questions 11 and 12 determined the store being represented at civic affiliations. Ten out of the 12 interviewed stated that they had affiliations with civic organizations and, more importantly, all involved with civic affiliations felt that their presence connected them and their businesses to the community.

Table 15*Civic Affiliations*

	Offering	Frequency
0		2
1		3
2-3		6
4-5		0
6-7		1

Chapter V: Discussion

The purpose of this study was to examine the challenges that small market grocery store businesses are facing in today's grocery industry and to determine whether or not marketing strategies are beneficial to small market businesses in order to retain or recover customers due to the competition of large corporate super centers. The study interviewed 12 general managers or owners of small grocery stores to determine whether or not they have utilized the strategies and whether or not they had data to determine if the marketing strategies worked on retaining and recovering customer sales.

Limitations

The five limitations of this study are as follows:

1. The results of the interviews were time specific. The industry is constantly changing when new super centers open and when economics of the work force change. Future studies may need to re-do the interviews to provide the most current information.
2. The United States economy and the economy of the specific locations of the small market grocery stores should be taken into account. In addition, demographics of the towns and cities should be considered in a more detailed study.
3. Questions 6 and 7 on the background information may be misleading to the reader. In order to keep the subjects' identities confidential, the researcher did not provide the specific details of each location in relation to the decrease of sales, the regained sales, and the timeframes associated with the implementation of question 7's marketing strategies.

4. All 12 subjects are utilizing one or more of the marketing strategies; however, the study did not disclose what locations are or are not utilizing or implementing the more costly strategies, such as remodels, increased technologies and specific marketing advertising plans.
5. This study focused only on marketing strategies and did not investigate leadership and management competencies of the small businesses. Further studies would need to include this area in order to retrieve and analyze additional detailed information.

The purpose of the study was to examine whether or not suggested marketing strategies are helpful to retaining and recovering customers for the small market grocery store businesses. The results do vary depending on many factors that are both inside and outside business.

Conclusions

The following conclusions were made based on the results of the background information and the interview questions in Chapter IV in comparison to the literature review of Chapter II.

1. Many of the suggested marketing strategies from the literature are being utilized and implemented to some degree by all of the subjects interviewed.
2. The degree to which strategies being implemented and utilized are very location-specific and are dependent on the discretion and budgets of the managers or owners. Out of the 12 subjects, eight experienced super centers opening in their area. The sales percents of all eight businesses were affected by the opening of

the super center. Seven out of the eight implemented and practiced multiple marketing strategies to retain and recover customers.

3. Based on the answers to question 6, eight stores did experience a decrease in their sales when a super center opened. Seven of the eight implemented some of the suggested marketing strategies and all recovered some of their lost sales. Four regained some of their sales within less than six months and the other three that regained some of their sales anywhere from 12-36 months. The recovered sales varied from 1.5% up to 8%.
4. Question 8 from the background information questions revealed that 8 out of the 12 business owners rely on their distributor retail specialists or on the distributor leadership for information on current successes in the industry while only 4 out of the 12 indicated they search for answers from other sources. Based on the information collected, a majority of the small market grocery business look to these distribution retail professionals for guidance on implementing and utilizing the suggested marketing strategies.

Recommendations

The following recommendations are suggested for change in implementing and utilizing marketing strategies for small market grocery businesses.

1. Based on the results of the interviews with the small market grocery store managers and owners, the results show that the stores that implemented and utilized the marketing strategies to improve their perishable departments, such as meat and produce, did well in competing for retaining current customers and recovering customers due to competition. In addition, these stores stated that

they strive to make the shopping experience favorable for their customers. They work on being a clean store that is free of debris and obstacles, in order for the customer to move freely throughout the store.

2. Based on question 4 of the interview regarding technology used to improve effectiveness and efficiency, the results appeared to be favorable to the small market grocery stores. Since technology is continuously changing and it is an expectancy of consumers that they will receive quick and accurate service, it is strongly recommended that business owners consider investing or upgrading their store's technology.
3. It also would have been beneficial to determine if there is any data that supports the suggested items in question 5, collaborating with other small market businesses, and in question 11, civic affiliations, are beneficial to the small market business owners. Based on the answers from interviews, it appears that businesses that were connected to their communities did well in retaining sales and recovering lost sales.

Future Research

The following recommendations are suggested for future research on the study of marketing strategies for small market grocery businesses.

1. Based on the experts' opinions that this industry is rapidly changing and the competition is fierce, future studies should be done again at a later date and in the same state locations of the stores that participated in this study.
2. The study should be expanded to include leadership and management competencies of the small businesses. Based on question 2 in the background

information, all of the subjects either gained their experience from the business being in their families or from receiving on-the-job training. No one indicated that they gained their experience as an apprentice or from an additional education. Future data should consider what leadership training has been completed for the managers and owners.

3. Because of rapid social changes, demographics and economic conditions of the communities should be considered in future studies.
4. Based on question 8 from the background information questions, 8 out of the 12 indicated that their grocery distributor and their retail specialists are their first and second choices to turn to in order to receive assistance on learning about the new merchandising and operating trends. This relationship between business owner and distributor and the measurable results of what the distributors and retail specialists have suggested and implemented in those stores should be examined. Data on exactly which trends were helpful to the 63% who stated they rely on their distributors would be beneficial.

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Appendix A: Background Information

Background Information:

The requested background information will help the researcher collect data that describes the characteristics of all respondents in order to conduct a comparative analysis. Please keep in mind that all of this information will remain confidential to the researcher and the identity of the respondents will not be disclosed. The researcher understands that some of the surveyed may own multiple stores. Please answer the questions in regards to the specific store that the survey information was randomly sent to. Please **do not** add all of you stores together.

1. How many years of experience do you have in the grocery business? (circle one answer)

< 4 years 5-9 years 10-15 years 15-19 years 20+ years

2. Where did you receive your professional training in the grocery business? (circle one)

Family Apprentice On-the-job Technical or
Business training College

3. What is the mileage distance between you and a super center?

<10 miles 11-20 miles 20-29 miles 30+ miles

4. What is the mileage distance between you and another independent grocery store?

<10 miles 11-19 miles 19-29 miles 30+ miles

5. If you experienced a super center opening in your area, yes, did you experience a decrease in your sales?

_____ Yes (If yes, please answer questions 8 and 9)

_____ No (If no, please go to question 10)

6. If you did experience a super center in your market, please provide the requested sales information?

_____ % decrease in sales

_____ % of regained sales

_____ Timeframe it took to regain those sales

7. Did you implement any different marketing strategies?

_____ Yes (please explain or list)

_____ No

8. What means do you utilize to inform yourself and your team of current grocery trends?

_____ Grocery Magazines

_____ Seminars & Conferences

_____ Primary Distributor

_____ Retail Specialists

_____ Benchmarking on your own

_____ Other (please explain)

Appendix B: Interview Questionnaire

1. What services and conveniences do you offer your customers?
2. What atmosphere conditions do you look at to ease your customer's shopping experience?
3. What services do you provide for the elderly or the disabled?
4. What types of technology do you use to provide accuracy for your customers?
5. Do you collaborate with other local small market businesses to provide products and services that are not duplicated within each store?
6. Do you co-brand with other stores to share shelf space to lessen the burden of overhead costs?
7. Do you look at who your customers are outside of your regular customers?
8. What departments in your store do you feel draw in customers?
9. In today's fast pace, do you provide ready-to-eat foods fresh from the deli or bakery?
10. Do you offer a line of gourmet or specialty ethnic items?
11. Do you or other leaders in your business represent the store in civic affiliations? If so, how many affiliations?
12. Do you feel these affiliations connect your business to your community?