



"What makes you go back to your FAVORITE food retailer?"



**A SupermarketGuru.com Consumer Panel Survey
on behalf of the National Grocers Association
conducted during the month of September 2003**

**Presented to:
Mr. Thomas K. Zaucha
Mr. Frank DiPasquale
National Grocers Association
Arlington, Virginia**

October 7, 2003



OVERVIEW

In September of 2003, Consumer Insight, Inc. conducted a consumer panel on it’s website, SupermarketGuru.com, on behalf of the National Grocers Association. The objective of this study was to survey consumers throughout the United States as to their feelings and experiences as to what makes a supermarket “best in class”; with the result being a presentation to be delivered by Phil Lempert, at the NGA Annual Meeting in Spring 2004 which would present the results of this study and offer NGA members key learning for their daily operations and long term planning.

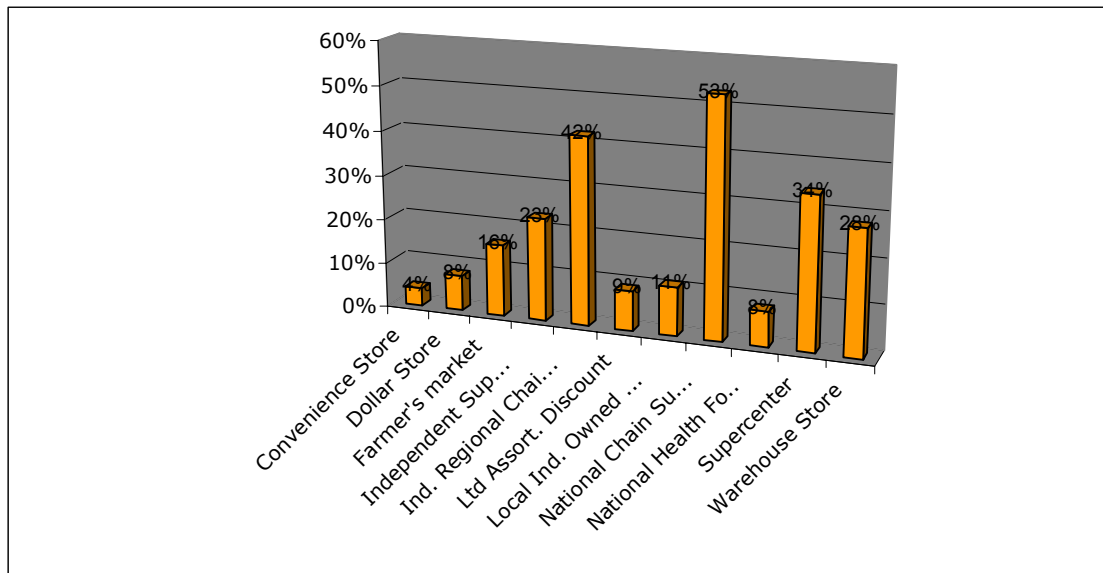
METHODOLOGY

The SupermarketGuru.com Consumer Panel is an opt-in food involved population of over 66,000 shoppers that have pre- registered with the site and submitted their confidential demographic information. On this survey, we collected 1533 valid surveys from 46 states. All incomplete or foreign surveys were deleted from database before analyzing the results. The respondents were 88% female.

RESULTS AND ANALYSIS

Each survey question and the findings follow with appropriate opportunities and implications within that section. A copy of the actual survey is included at the end of the analysis section.

1. Where do you buy your weekly groceries? (please select all that apply)



Alternative channels have captured many food dollars, and consumers will by all predictions continue to spread their dollars across multiple food retailers. It is important to note, that while the Independent/Regional Chain Supermarket is ranked as the second most popular source (42%), in order to maintain and grow share, the Independent Grocer should incorporate the attributes of the channels that are stealing food shoppers: offering warehouse packs, more healthy foods, more local produce, and more "dollar" features.

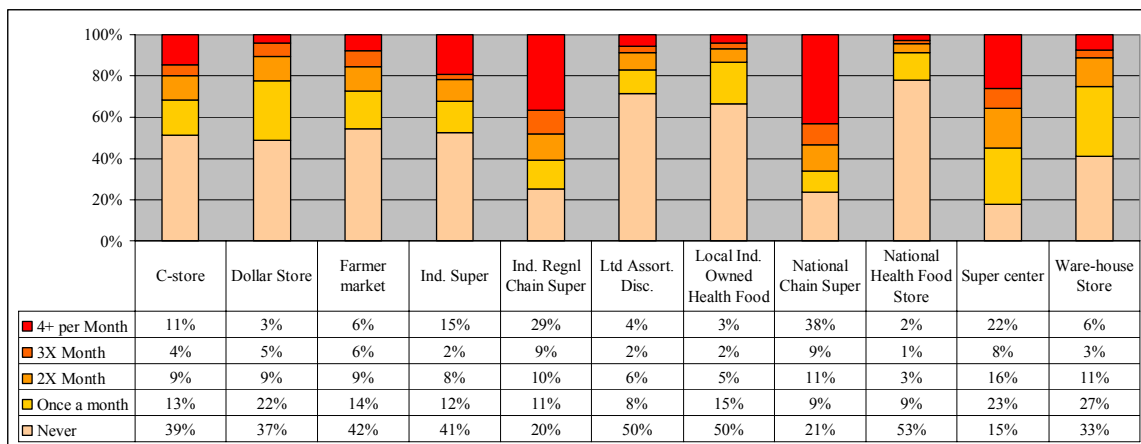
2. How often would you say you shop at EACH of these stores per month? (pull down menu selection by retail channel)

Once again the Independent/Regional Chain Supermarket and the Independent Supermarket exhibit an above average ranking in terms of frequency of visits.

Stores ranked by "shopped most" in a month (3X & 4+ Categories):

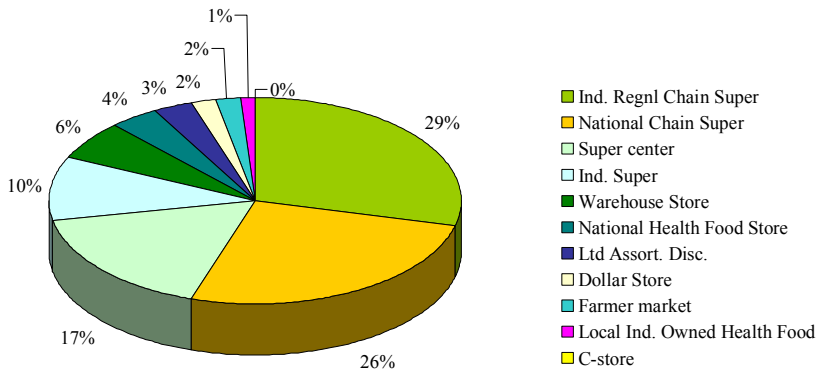
- #1 National chain supermarket
- #2 **Independent/Regional chain supermarket**
- #3 Supercenter (e.g., Wal-Mart, Kmart, Target, Meijer, etc)
- #4 **Independent supermarket**
- #5 Convenience Store (e.g., 7-Eleven, Wawa) times/mo.
- #6 Farmer's Market
- #7 Warehouse store (e.g., Costco, Sam's, BJ's)
- #8 Dollar Store (e.g., Dollar General, Family Dollar, Dollar Tree)
- #9 Limited Assortment Discount (e.g. Save-A-Lot, Aldi)
- #10 Local independently owned health food store
- #11 National health food store

However, it is critical to note that compared to the National Chain Supermarket, frequency of visits are at 76% and 40% respectively, indicating that the National Chain Supermarket is thought of a being a more convenient source of food products. Our recommendation would be to further investigate the reason for this disparity. It might well be discovered that the prime reasoning is that National Chain Supermarkets' location and proximity to home is more convenient, which underscores the importance of real estate development and locations.



3. Of these stores, which is your ONE favorite store?

It could well be argued that the answer to this question is a glimpse into the future of retailing. While the National Chain Supermarket outranks the Independent Grocer in both location availability and frequency – our panel named its ONE favorite store the Independent Regional Chain Supermarket. As you will review in the verbatims gathered in question #7, shoppers want more personal attention and traditionally the Independent Grocer has outperformed the National Chain in these areas.



As more alternative channels threaten the traditional grocery is it critical to maintain and build on the personal relationship with the shopper. Giving the owner and store personnel a 'face' vs. the faceless conglomerate, which may in fact be foreign owned, is a huge advantage and should be used in-store and in all advertising and marketing efforts.

Ind. Regnl Chain Super	29%
National Chain Super	26%
Super center	17%
Ind. Super	10%
Warehouse Store	6%
National Health Food Store	4%
Ltd Assort. Disc.	3%
Dollar Store	2%
Farmer market	2%
Local Ind. Owned Health Food	1%
C-store	0%

3a. We asked the respondents to name the ONE store they consider their "favorite" food store. The Top twenty ranked stores by name follow:

#1	Wal-Mart	#11	Aldi
#2	Albertson's	#12	HEB
#3	Kroger	#13	Hy Vee
#4	Whole Foods	#14	Ralph's
#5	Publix	#15	Stop & Shop
#6	Costco	#16	Food Lion
#7	Meijer	#17	Target
#8	Safeway	#18	Giant
#9	Trader Joe's	#19	Shaw's
#10	Sam's	#20	Jewel Osco

It is interesting to note that in the first part of the question, the panel ranked the Independent Regional Chain Supermarket and the National Chain Supermarket higher than the Super Center, when asked to specifically name their ONE favorite store, Wal-Mart ranked number one.

The following is an alphabetical listing of ALL stores named as the ONE favorite store. Those with an * following the name registered at least 15 votes, or a minimum of 1% of the total votes.

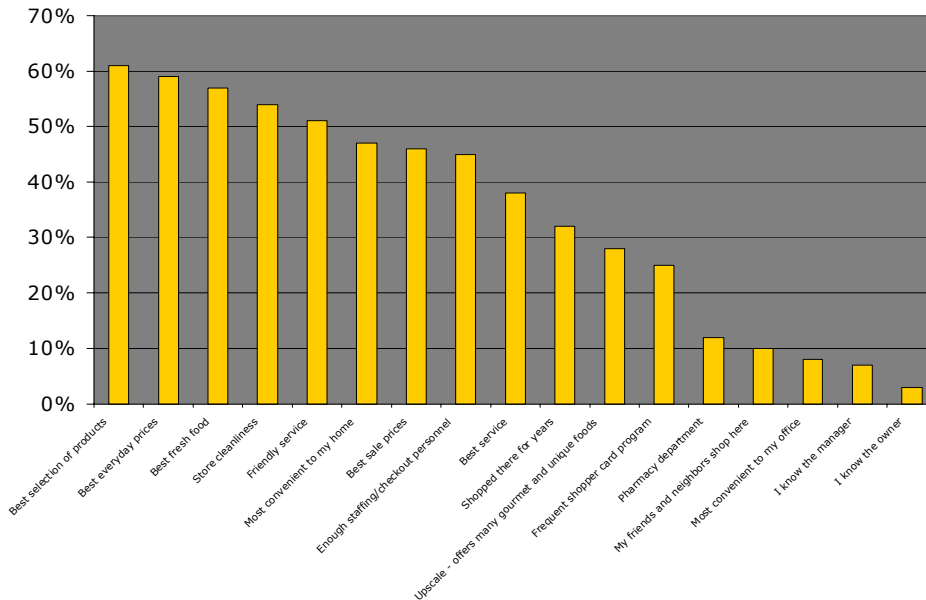
Around The Corner	Dollar Tree *	Kings
Acme	Dominion	Knowlans
AJ' Fine Foods	Dorignac's	Kroger *
Al's Valueland	Erdmans County Mrkt	Laurenzo's Italian Market
Albertsons *	Fairway *	Living Waters
Aldi *	Farmer Jack *	Lowe's Foods *
Atlantic Superstore	Food City	Lunardies
Bashas'	Food Lion *	Marc's
Bel Air	Food Pavilion	Market Basket
Bi-Lo	Foodmaster	Martin's Country Mkt *
Big Lots	Fred Meyer	Matherne's
Big Y	Geralds Foodland	McConnell Commissary
Bigg's	Gelson's	Meijer *
BJ's Warehouse	Genuardi's *	Mike's Farm Market
Brookshire Bros.	Giant *	Mrs Greens
Bruno's	Giant Eagle *	New Sagaya Mid-Town
Buehler's Food Markets	Grade A Shop Rite	P & C Foods
Byerly's	Graul's	Pathmark
C&R Market	Hannaford's	PCC
Chipains Finer Foods	Harmon's	Peppers Farm Market
Clemen's	Harris Teeter *	Perry IGA
Copps	Hart's	Pick 'N Save *
Corti Brothers	Harvest Foods	Piggly Wiggly
Costco *	HEB *	Presidential Market
County Market	Heb Market Place *	Price Chopper
Crest Foods	Hegedorns	Price Rite
Cub Foods *	Heinen's *	Publix *
D&W	Hemmings	Rainbow
Daiei	Horrock's	Raley's
Dallas Farmer's Market	Hy Vee *	Ralph's Market *
Dan's Foods	Ingles	Reggies Veggies
Davis Food Co-Op	Jensens	Rick's Supermarket
Deluxe Foods Of Aptos	Jewel Osco *	Safeway *
Devine's Shop N Save	Karn's	Sam's *
Dillons	Key-Food	Sav-A-Lot
Dollar General	King Kullen	Save A Center *
Dollar Store	King Soopers	Save-On-Foods

Saveland
 Schnucks *
 Scotts Corner Market
 Shaw's Supermarket *
 Shenville Dairy
 Shoori
 Shop & Save
 Shop-N-Kart
 Shop-Rite *
 Simon David
 Smiths
 Sprouts Market
 St Lawrence Market
 Stater Bros Markets *
 Stew Leonards
 Stop & Shop *
 Super Fresh

Super Kmart
 Super One
 Super S Foods
 Super Saver
 Super Target
 Super-1-Foods
 Target *
 Tequesta
 The Fresh Market
 The Produce Station
 Tom Thumb
 Top Food
 Tops
 Trader Joe's *
 Turco's
 Ukrops
 United Supermarkets

Victory Supermarket
 Vitamin Cottage
 Vons
 Wal-Mart *
 Walmart Neighborhood
 Marketplace
 Wawa
 Wegman's *
 Weis
 West Point Market
 Whole Food Market *
 Wild Oats *
 Winn Dixie *
 Wise-Way Supermarket
 Woodman's *
 Zehrs

4. Why is this your favorite store? (respondents could select all attributes that apply)



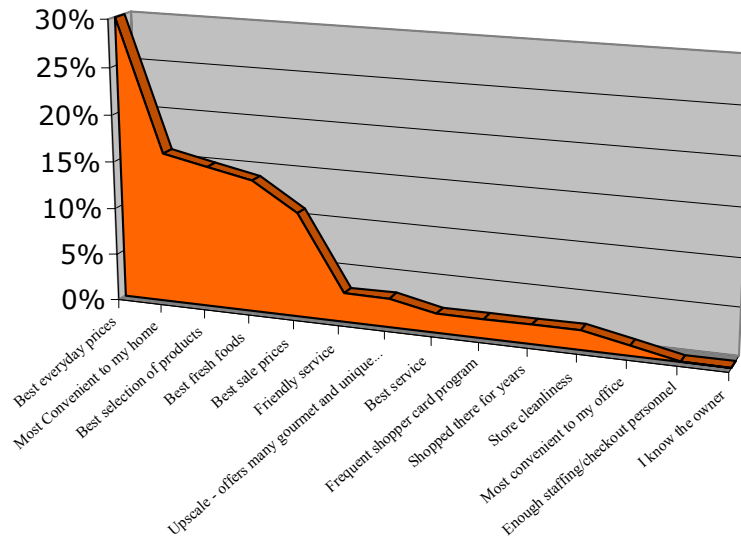
We would suggest that analyzing the ranking of these attributes be done in conjunction with the rankings revealed in question #5, which asked what was the ONE most important attribute from the same listing.

It is clear that product assortment, good value, good service and clean stores continue to be at the top of shoppers' desires. It is noteworthy that in this survey, the availability of a pharmacy department ranked low on the list. We suggest that this lower than expected ranking is due to the fact that the pharmacy is less than ideal in many supermarkets (chain as well as regional chains and independents) at the present time. As the aging Baby Boomer population continues to increase their use of prescription medications, it will be important to restyle the Pharmacy department in order to capture their business. Prescriptions are an important key to maintaining a loyal customer base as historical data shows that it is likely that once a retailer fills a prescription for a customer it is unlikely that they will switch to another

retailer and will expand their shopping at that location as well as increasing their store visit frequency.

Best selection of products	61%
Best everyday prices	59%
Best fresh food	57%
Store cleanliness	54%
Friendly service	51%
Most convenient to my home	47%
Best sale prices	46%
Enough staffing/checkout personnel	45%
Best service	38%
Shopped there for years	32%
Upscale - offers many gourmet and unique foods	28%
Frequent shopper card program	25%
Pharmacy department	12%
My friends and neighbors shop here	10%
Most convenient to my office	8%
I know the manager	7%
I know the owner	3%

5. What is the ONE most important reason from the following list, that causes you to shop where you do? (check only ONE)



As pointed out in the previous question #4, both Q4 & Q5 should be analyzed together for the maximum benefit.

PRICE

The price of foods remains as the MOST IMPORTANT reason that our panel chooses their primary food retail environment (Best Everyday Prices 30% and Best Sale Prices 11%). Offering everyday value rated much higher than 'best sale prices', which is an important factor that has been well established by Wal-Mart, and it's pervasive positioning and advertising. It could be said that those supermarket retailers that had tried EDLP positioning prior to Wal-Mart selling the concept to shoppers, may well have been ahead of their time, and may wish to revisit a modified version incorporating the attributes of service.

The equation that we present for value in 2004 extends well beyond the original concept of EDLP.

$$\text{Value} = \text{Price} + \text{Quality} + \text{Service} + \text{Relationship}$$

For each retailer the balance between each of the four 'ingredients' of value will differ, for Wal-Mart, a greater weight is given to Price, although Quality, Service and Relationship is still a significant part of the equation.

Independent Grocers must take a realistic look at their present "value equation" and adjust the balance to meet the competitive frame.

FRESH

Freshness, whether it is presented by an attractive produce department, great smelling bakery, service deli or in-store pizzeria continues to reinforce value as well as well as acknowledge the best choice of retail environment.

SERVICE

As you will read in the verbatims collected in Q7, achieving the ultimate shopping experience is dependent on qualified and friendly customer service. Make no mistake about it, this attribute is a 'must have' – not negotiable. As the Baby Boom shopper continues to flex their muscle it's a retail environment with rules that are simple:

- A zero tolerance for error
- It's all about the shopper
- A demand for excellent service
- Great communication skills are a must

6. What is the PERFECT size of a supermarket for you?

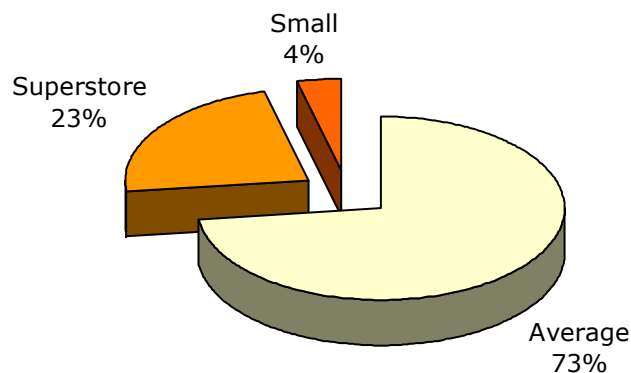
We asked our panel to choose among the following three formats:

Average store - 8 to 10 checkouts, 12 aisles, large produce department, full service deli, meat, bakery, health foods, pharmacy, take out foods

Superstore - contained within a supercenter - with all the features of an average store

Small store - 5 to 6 checkouts, 10 aisles, small produce department, deli and meat departments

A vast majority, 73% of the panel, said they wanted an "average size store".

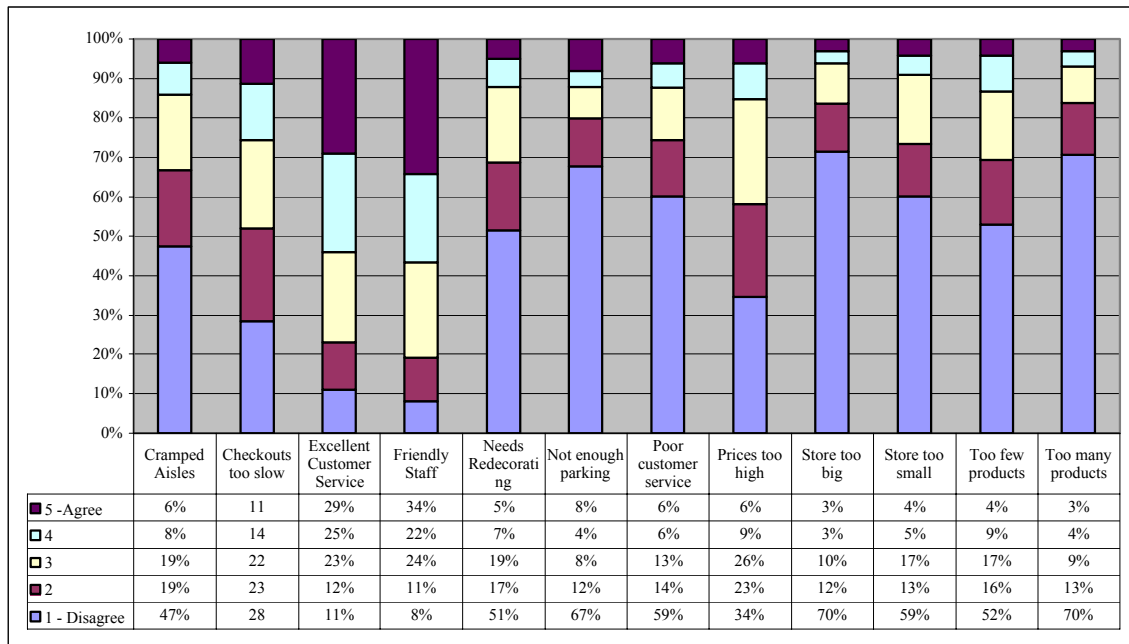


7. If you were to design a supermarket from the ground up, please describe it in 100 words or less:

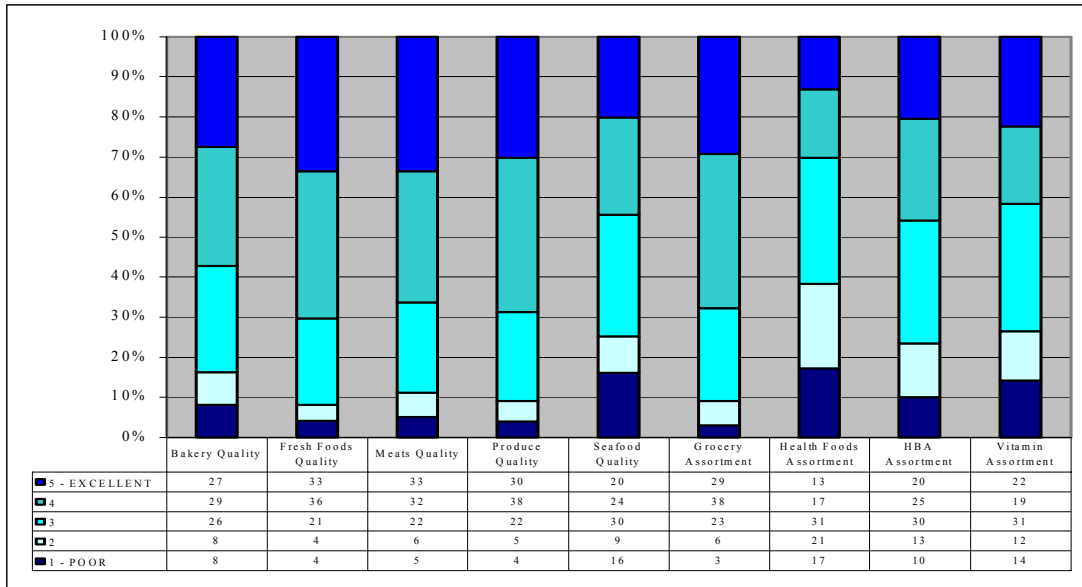
NOTE: Please see addendum for verbatims

8. Please tell us how you feel about your CURRENT primary grocery shopping store experience?

The following chart ranks the attributes of our panel members' PRIMARY food store. As you can see, our 'report card' is better than expected for pricing, service and the physical plant, reinforcing that there will be a natural selection of shopper to store, i.e., shoppers will find a store that they like and that meets their needs.



9. Please tell us how you feel about the FOODS that are available at your current primary grocery-shopping store?

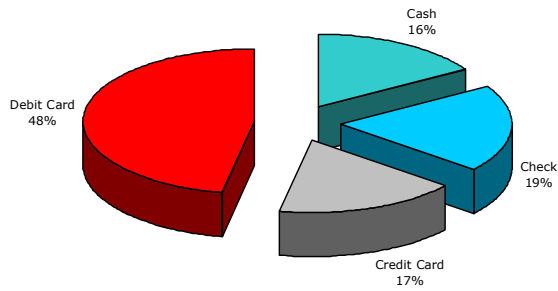


In most of the categories listed the panel's primary grocery shopping store performs well with three notable exceptions: Health Foods Assortment, Health & Beauty Aids and Vitamin Assortment.

All three of these categories are among the fastest growing within the retail channels, and based on the aging population is predicted to continue to grow for a minimum of the next 15 years. In particular the ratings for Health Foods Assortment should be viewed as below average and be viewed as an opportunity for the Independent Grocer. As Americans (and food brands) move towards healthier offerings, this category deserves major attention and effort.

While at this point it is unlikely that the supermarket will evolve into a 'whole health solution'; clearly the development and inroads of Whole Foods should both strike a competitive alarm bell, as well as be presented as an operational model. Each Independent Grocer should be evaluating their efforts and presentation in these three categories in order to retain their customers and keep these shoppers from seeking these offering from competitive sources.

10. How do you pay for your groceries at your favorite store?

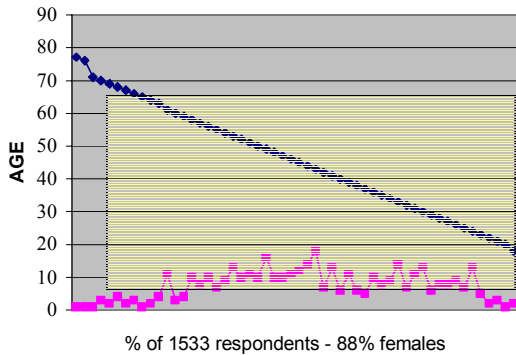


Debit cards, for our panel, was the number one preferred payment vehicle for our panel. It is important to note, that the SupermarketGuru.com panel is very value oriented and may well have an above average use of debit vs. credit as they are astute enough shoppers to realize that buying groceries on credit cards, which may not be paid off each month, offsets any savings realized from use of coupons and retail special.

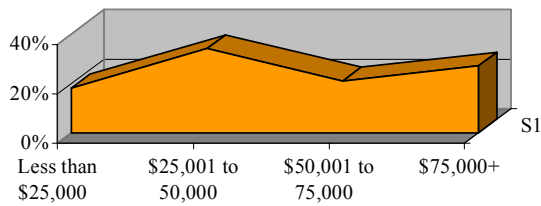
National Grocers Association SupermarketGuru.com Consumer Panel Demographics:

- 1533 opt-in responses
- 88% female/12% male
- Responses from 46 states

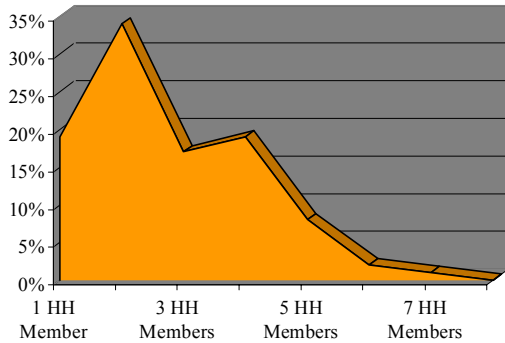
Age of Panel Respondents



Household Income of Respondents



of People in Household





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September 2003 Consumer Taste Panel: What Makes You Go Back To Your FAVORITE Food Retailer?

You might be surprised to learn that many of today's supermarkets are still independently owned and are growing. Some of these stores are even considered the "best in class" in the world of supermarketing!

We want to know if you shop at an independent retailer and just what that shopping experience is like!

AND YOU COULD WIN A \$1000 GROCERY SHOPPING SPREE FOR TELLING US!



In addition to the **\$1000 Grand Prize**, we will also be giving away four **\$250 grocery shopping sprees** to four runner-ups. We will be picking 5 respondents at random by October 31, 2003 and notify the winners via email.

1. Where do you buy your weekly groceries? (select all that apply)

- Convenience Store (e.g., 7-Eleven, Wawa)
- Dollar Store (e.g., Dollar General, Family Dollar, Dollar Tree)
- Farmer's Market
- Independent supermarket
- Local independently owned health food store
- National chain supermarket
- National health food store
- Independent/Regional chain supermarket

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Supercenter (e.g., Wal-Mart, Kmart, Target, Meijer, etc)

Warehouse store (e.g., Costco, Sam's, BJ's)

Limited Assortment Discount (e.g. Save-A-Lot, Aldi)

2. How often would you say you shop at EACH of these stores per month?
(please use the pull down menu)

Convenience Store (e.g., 7-Eleven, Wawa) times/mo.

Dollar Store (e.g., Dollar General, Family Dollar, Dollar Tree)

Farmer's Market

Independent supermarket

Local independently owned health food store

National chain supermarket

National health food store

Independent/Regional chain supermarket

Supercenter (e.g., Wal-Mart, Kmart, Target, Meijer, etc)

Warehouse store (e.g., Costco, Sam's, BJ's)

Limited Assortment Discount (e.g. Save-A-Lot, Aldi)

3. Of these stores, which is your ONE favorite store?

Convenience Store (e.g., 7-Eleven, Wawa)

Dollar Store (e.g., Dollar General, Family Dollar, Dollar Tree)

Farmer's Market

Independent supermarket

Local independently owned health food store

National chain supermarket

National health food store

Independent/Regional chain supermarket

Supercenter (e.g., Wal-Mart, Kmart, Target, Meijer, etc)

Warehouse store (e.g., Costco, Sam's, BJ's)

Limited Assortment Discount (e.g. Save-A-Lot, Aldi)

Please name the store:

City and state:

4. Why is this your favorite store? (check all that apply)

Best everyday prices
Best fresh foods (produce, meat, deli, etc.)
Best sale prices
Best selection of products
Best service
Enough staffing/checkout personnel
Frequent shopper card program
Friendly service
I know the manager
I know the owner
Most convenient to my home
Most convenient to my office
My friends and neighbors shop here
Pharmacy department
Shopped there for years
Store cleanliness
Upscale - offers many gourmet and unique foods

5. What is the ONE most important reason from the following list, that causes you to shop where you do? (check only ONE)

Best everyday prices
Best fresh foods (produce, meat, deli, etc.)
Best sale prices
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Best service
Enough staffing/checkout personnel
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Small store - 5 to 6 checkouts, 10 aisles, small produce department, deli and meat departments

Average store - 8 to 10 checkouts, 12 aisles, large produce department, full service deli, meat, bakery, health foods, pharmacy, take out foods

Superstore - contained within a supercenter - with all the features of an average store

7. If you were to design a supermarket from the ground up, please describe it in 100 words or less:

8. Please tell us how you feel about your CURRENT primary grocery shopping store experience?

Disagree = 1; Agree = 5

Aisles too narrow

Aisles too cramped with merchandise

Checkouts too slow

Excellent customer service

Friendly staff

Needs redecorating and renovation

Not enough parking

Poor customer service

Prices too high

Store too big

Store too small

Too few products

Too many products

9. Please tell us how you feel about the FOODS that are available at your current primary grocery-shopping store?

Poor = 1; Excellent = 5

Quality of bakery

Quality of fresh foods

Quality of meats

Quality of produce

Quality of seafood

Assortment of groceries

Assortment of health foods

Assortment of health and beauty products

Assortment of vitamins

10. How do you pay for your groceries at your favorite store?

Cash

Check

Debit Card

Credit Card

Please enter your email address:

Thank you! Your voice will be heard!

We will be presenting your comments and experiences at the National Grocers Association annual meeting. Winners will be randomly selected and notified by email and are required to acknowledge receipt within 10 days. Shopping Spree certificates must be redeemed at an Independent Retailer; winners will be given a list of Independent Retailers in their vicinity to select from. Prize courtesy of the National Grocers Association

