Do Small Format Supermarkets Improve the Shopping Experience? Field Study Assessment of Two Alternative U.S. Strategies

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ABSTRACT
Industry reports have highlighted the trend for smaller format supermarkets in the food industry. Retailers such as Wal-Mart, Tesco, and Safeway see smaller format supermarkets as an opportunity to respond to the changing preferences of customers who are seeking a more convenient shopping experience. This study investigates differences in small format retail strategies among retailers. A combination of direct observation in a naturalistic setting and Delphi methodologies were employed. A comparative analysis was performed to examine differences in strategy.

Keywords: Food Marketing, Retailing, Shopping Experience, Store Design, Store Format, Supermarkets, U.S. Strategies

INTRODUCTION
Industry reports highlight the trend toward smaller format supermarkets in the food industry. The reason for this shift may be because smaller formats provide a number of benefits to both retailers and customers. For example, expanding footprints of retail stores as well as overwhelming product choices have made it difficult for consumers to find their way through stores, differentiate between brands, and assess product quality (Burke, 2005).

Retailers such as Wal-Mart, Tesco, and Safeway see smaller format supermarkets as an opportunity to respond to the changing preferences of customers who are seeking a more convenient shopping experience includ-
ing easier access, navigation, selection, and transactions. Through a smaller format strategy, these large-scale retailers hope to achieve better turnover, higher sales, lower expenses, and higher profits. We may witness a significant growth of small format retailers in the coming years. Recently, for example, Tesco (Fresh & Easy) and Wal-Mart have announced expansion plans for new smaller format stores.

The purpose of this study is an exploratory examination of smaller format supermarkets. The research investigates whether there are differences in small format retail strategies among retailers and, if there are, how the strategies differ from each other. The study then examines which strategies are more effective at achieving a better shopping experience for customers.

Findings indicate first, that there are differences in small format retail strategies among retailers, and second, that traditional designs, such as Wal-Mart Marketside appear to be more effective than non-traditional designs, such as Fresh & Easy.

LITERATURE REVIEW

Evolution of Food Store Designs

Changes in retail food stores and assortments over the last two decades may have had some negative consequences for consumers. Small format stores have emerged as a possible response and solution for certain customers. For the purposes of this study, format is defined as the physical size and configuration of the retail store. As Burke (2005) states, “the dramatic increase in the number of products and the expanding footprint of retail stores has made it increasingly difficult for consumers to find their way through stores, differentiate between brands, and assess product quality.” This increase in both product quantity and store size has been coupled with more complex consumer promotions and message clutter in the stores. Consumer frustration with finding products that suit their needs among multiple competing products, differentiating and comparing among brands, and processing cluttered promotional messages leads to consumers’ stress that may negatively affect their subsequent behavior and buying decisions. Consequently, consumer preferences may have shifted from wanting to choose from many available options to desiring less complex shopping options that can save time and effort. This change lead retailers to pursue smaller format stores to minimize confusion and complexity for consumers in their decision making process. Thus the concept of smaller format grocery stores became more popular throughout the industry as more retailers announced plans to open newer, smaller grocery stores. By 2008, for example, Tesco had introduced its Fresh & Easy concept and began expansion in the western United States (The Food Institute, 2008).

The approach to pursue small format stores appears to differ among retailers. Although they may have similar store sizes, the way they configure and merchandise their retail concept can be quite different. For example, while major players such as Wal-Mart have taken a ‘scaled-down supermarket’ approach with their small format stores, others such as Tesco have taken a different approach from the mainstream. Fresh & Easy focuses on offering more private label than its counterparts. Based on this, a useful distinction can be made between small store concepts: traditional (as offered by the more mainstream retailers, such as Wal-Mart, Safeway, etc.) and non-traditional (as offered by Fresh & Easy).

Traditional Retail Store Research

Academic research has largely focused on store environment and how it affects consumer satisfaction and responses. Some research has focused on the effect store atmosphere has on shopper behaviors and shopping outcomes (Eroglu et al., 2005). Other research focuses on the association of retail environment with retailers’ performance (Kumar & Karande, 2000), physical surroundings with customers and employees (Bittner, 1992), store environments with patronage intentions (Baker et al., 2002), and retail density and music tempo with
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