

Contribution to Melbourne/Monash symposium on Supermarket Power in Australia - 1 August 2013

Title - Satisfaction with the local store mix: A consumer perspective on competition in the grocery sector

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(Research conducted with Ian Clarke, University of Edinburgh, and Malcolm Kirkup, University of Exeter; funded by the Advanced Institute of Management)

Abstract - Discussions about the effects of local competition on consumer welfare often concentrate on whether consumers receive particular products and services at the lowest possible price. While price is obviously important, it is not the only factor that counts in determining consumers' satisfaction with their local supply of grocery products. Also, consumer welfare assessment should not simply rely on price comparisons across locations or periods for separate products or even product categories. Consumers typically do not buy single items but acquire baskets of goods, which may be obtained from across different suppliers. Assessments of consumer welfare based on available access to grocery products should take into account the total basket of goods needed or purchased and should incorporate the extent to which the total mix of stores provides them with access to these goods. Assessments should also take into account that value is not only derived from low prices but from a holistic view of the total mix of price, quality, range, and service levels available in the local area.

This paper focuses on consumer satisfaction with the local retail offer. It will present results from a study into how consumers perceive and evaluate the total range of the grocery offer in their local areas, that is, across brands and formats, regardless of the extent to which consumers actually visit or purchase from particular retail outlets. The study was conducted across different locations in the UK, including a town with a high level of retail concentration (Tesco 52% local market share) and one town with a relatively low level of concentration (no major chain has more than 20% local market share). Within each town different neighbourhoods were sampled to acquire a balance across social deprivation levels and on neighbourhood nearness to a major supermarket. Face to face interviews with residents in these neighbourhoods reveal how these consumers evaluate their local mix of grocery stores and how their satisfaction levels vary with the access to and composition of the store mix.

Findings reveal that consumer satisfaction is greater in the town with less concentration, but there are also substantial variations within each of the study towns. Findings show that consumers are reasonably satisfied as long as there is at least one major supermarket within a close range from their home. The additional presence of a small independent store in their areas adds to the total level of satisfaction if local supply is limited. Addition of a discounter adds more to consumers' satisfaction than when an outlet of another main grocery chain is added; addition of a second supermarket of the same main grocer adds less value than addition of a different supermarket. This suggests consumer value variety and

choice, but there are no signs of *dissatisfaction* with high levels of concentration. Further analysis reveals how satisfaction levels depend on perceptions of local prices, the overall quality of the food on offer, and the level of access to the stores. Each of these three factors contributes significantly to overall satisfaction with the local store mix.

Whereas the Australian context overall has higher levels of concentration than the UK, the results from our study can, with some caution, be transferred to Australia in that the study included several local areas with levels of concentration comparable to those in Australia. To the extent that consumer perceptions of competition are based on these local areas and their available retail offer, there is little reason to expect results for Australia to be much different than for the UK. Research should be conducted in Australia to establish if this is so. Such research could also incorporate comparisons of related aspects like the extent to which private labels, which limit the extent to which consumer can compare products across stores, influence their overall satisfaction levels.

The presentation at the symposium extends findings reported in:

Clarke I., M. Kirkup and H. Oppewal (2012), "**Consumer satisfaction with local retail diversity in the UK: effects of supermarket access, brand variety, and social deprivation**" *Environment and Planning A*, 44: 1896- 1911 [DOI:10.1068/a44310];

The manuscript version of this paper can be freely downloaded from:

https://www.researchgate.net/publication/233412615_Consumer_satisfaction_with_local_retail_diversity_in_the_UK_Effects_of_supermarket_access_brand_variety_and_social_deprivation

Bio - Harmen Oppewal is professor and head of the Department of Marketing at Monash University. His research specialises in consumer decision-making and shopping behaviour. He received funding from the ARC, ESRC and EU and published over fifty articles in leading journals in marketing, tourism, transport, and urban planning, including *Environment and Planning A*, *Environment and Behaviour*, *Journal of Business Research*, *Journal of Marketing Research*, *Journal of Retailing*, *Journal of Travel Research*, *Tourism Management and Transportation Research A*. His presentation at the symposium is based on work conducted as an international visiting fellow of the Advanced Institute of Management Research in the UK.

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