

The 2003 Supermarket Panel Executive Summary

The Food Industry Center established the Supermarket Panel in 1998 as the basis for an ongoing study of the supermarket industry. Since 2000 the core of the Panel has been a random sample of stores drawn from the approximately 32,000 supermarkets in the U.S. that accept food stamps.

The purpose of collecting data on supermarket operations and performance is to:

- Provide timely, useful information for the industry through benchmark reports and annual summaries, trends on key indices of technology adoption, competitive positions and performance.
- Be a ready source of data for research on current and emerging issues – to be able to track the changes in operation and its impacts on performance over time.

This report presents findings from the 2003 Supermarket Panel, and provides an overview of findings from the past four years. The 2003 Panel includes 391 stores that are a representative cross-section of the supermarket industry. The Panel tries to follow the same stores over time. Of the 391 stores, 268 were in the Panel in 2002. Nine percent of the stores have been in the Panel all four years. At least one store from every state is in the Panel.

New in 2003

- The Panel was offered over the Internet. Forty-seven percent responded on-line.
- An index on variety offering was created.
- Questions about offering irradiated fresh ground beef are included (with a follow up study).

Supply Chain Technology Practices

- The Supply Chain Score measures the extent to which stores have adopted computerized methods of communicating with suppliers, handling inventory management, ordering, invoicing, and analyzing consumer purchases. The average score has almost doubled in four years.
- Stores in groups (chains) with more than 750 stores and/or supercenter formats have adopted supply chain practices most intensively.
- Internet/Intranet is used by at least two-thirds of all stores; over ninety percent of stores in groups with more than 50 stores use this technology.
- Vendor managed inventory has been adopted by only 42 percent of stores in the biggest store groups with much lower rates of adoption in smaller store groups.
- A higher Supply Chain Score benefited significantly higher sales per labor hour.

Service and Variety Scores

- About eighty percent of stores in all size groups offer bagging and custom meat cutting.
- Variety pays off in better performance for five out of eight measures. Variety helps to grow annual percentage sales.

Supercenters/Top Stores/Unions

- Supercenters have significantly higher sales per labor hour and per transaction. They have lower sales growth.

- Fifty-three percent of supermarkets face supercenter competition. They have somewhat higher sales per square foot of selling area and higher annual sales growth than stores that do not face supercenter competition.
- Eleven percent of stores in the 2003 Panel qualified as “top stores.” They had above the median levels for each of three performance measures: weekly sales per square foot, sales per labor hour, and annual percentage sales growth.
- Top stores are more likely to have a unionized labor force, be a price and variety leader, and be wholesaler supplied.
- One-third of 2003 Panel stores have unionized labor. These stores have more productive labor with significantly higher sales per labor hour.

Statistically Significant Drivers of Performance Over Time

The descriptive profile and analysis of the Panel provide useful insights on the structure of the supermarket industry and factors associated with strong performance. However, statistical regression analysis identifies whether a variable is significantly correlated with a performance measure *holding all else constant*. This section presents findings from a multivariate regression analysis of five key performance measures.

These regression analyses are summarized on the table below. If a characteristic is listed on the table it was a significant correlate in at least three out of the past four years. For example, in the last row, the only variable that was consistently significant for increasing *annual percentage sales growth* is being in an area with higher household incomes. Having a warehouse format decreased sales growth and three other factors were significant in at least three years but alternated with positive and negative effects.

Significant Explanatory Factors for Store Performance, 2000 - 2003

Performance Measure	3 years of positive influence	3 years of negative influence	Mixed influence
Weekly Sales	More population density Warehouse format Food and Drug format Price Leader	Larger selling size	
Sales per labor hour per square foot	More population density Warehouse format Unionized Labor		
Payroll as a percent of sales	Unionized Labor		
Gross profit			Larger selling size Variety leader
Annual percentage sales growth	High household income	Warehouse format	More population density Quality leader Service leader