

\$HOPPING FOR \$AVINGS:

Consumers Venture Beyond the Supermarket for Deep Discounts

By Carol White, MS, RD

According to a recent report from The Food Institute, up to 40 percent of consumers no longer consider a supermarket to be their primary food store. Some of these shoppers have made membership clubs or department superstores their go-to grocery sources, but a growing number of consumers are frequenting discount grocery outlets. And between a steep increase in food prices on the horizon and supermarkets struggling to strike a balance to keep customers happy and manage wholesale costs, many believe “extreme value” stores offering discounts between 40 percent and 60 percent will only gain in popularity.

Known as “extreme value,” “deep discount” or “edited assortment” stores, discount groceries range in size and scale from large national chains to small individually owned endeavors. Some function essentially as scaled-down supermarkets with separate departments for produce, meat or dairy, while others look more like market bazaars that offer a hodge-podge inventory from frozen foods to flip-flops.

Just as varied are the sorts of foods available at discount groceries. For instance, many stores tout fresh fruits and vegetables and entire sections of organic, whole-grain or health-food ingredients. Others may exclusively sell shelf-stable items such as condiments, canned goods, snacks or candies. Many discount stores accept food stamps and some accept WIC coupons if they are large enough to ensure the availability of WIC-approved foods.

Among the fastest rising sources for discounted food items are dollar stores. Though they claim only a 2 percent share of the grocery market, with smaller stores and more locations, dollar stores have the potential to reach more customers. In fact, data from 2009 show the annual sales growth for dollar stores beats out all other types of grocery stores. Many offer milk, eggs, produce, meat and seafood. According to retail and foodservice consulting firm Walter Bishop, food items can account for up to 66 percent of total sales in dollar stores.

How can discount grocery stores afford to offer savings anywhere from 40 percent to 60 percent? Each store or company has a unique procurement plan, but many use combinations of similar methods.

LIMITING LABOR AND OVERHEAD

Some stores control overhead costs with smaller locations, fewer employees and none of the frills, such as a coffee bar, ready-to-eat foods or a butcher counter, commonly found in supermarkets. To save on labor costs, many stores also ask customers to perform tasks that would be provided services in traditional supermarkets.

“Our customers are happy to bag their own groceries if it means affording a night out for their family,” explained Chon Tomlin, a spokesperson for Save-A-Lot, a SUPERVALU subsidiary operating nearly 1,200 “value-oriented” stores in urban, rural and suburban neighborhoods across the country.

“We also encourage our shoppers to bring their bags from home,” says Tomlin. Save-A-Lot customers who do not bring bags are charged a fee for bags provided by the store.

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Such measures may add up to savings for customers, but operators insist it does not mean customer service is a low priority in discount grocery stores.

Gary Gluckman, owner of Grocery Clearance Center in Dallas, Texas, points to his company motto: “We give Nieman Marcus service at Salvation Army prices.” His store boasts a bilingual staff, a 100-percent quality guarantee and carry-home service for seniors living nearby.

SURPLUS SOURCING

Discount stores may also purchase surplus products from wholesalers or other retailers at deep discounts which they can pass on to customers, according to Melissa Porter, vice president of marketing for Grocery Outlet, Inc.

“We buy most of our product opportunistically to get the best deals we can,” says Porter. “We get close-outs on packaging and sizing changes, discontinued flavors and seasonal products. Excess inventory is another challenge we can help solve for our suppliers.”

Billing itself as an “extreme value” market, Grocery Outlet’s 130 stores across the western U.S. offer customers 40 percent to 60 percent savings on a full range of groceries, including fresh produce, frozen food, and even wine and beer.

Surplus sourcing does have its trade-offs, including a much more limited variety of products available and sometimes inconsistent inventories.

“We carry less variety across subcategories,” Porter says. “For example, a Safeway may carry 10 kinds of ketchup, where we may only have one or two ketchup choices.”

SALVAGING PRODUCTS FOR RETAIL

Other discount food stores rely on “salvaged groceries,” in which buyers procure products that have been damaged or dented in transit, or are near or past expiration or best-sold-by dates.

These items are often purchased in “banana boxes”—boxes filled with mixed items from larger stores or distributors that were pulled off the shelf because they were damaged or otherwise deemed unsellable for traditional locations. And because they purchase from a variety of different sources, salvaged grocery stores often have an eclectic if not bizarre mix of non-staple items.

Gluckman says he often receives exotic items that simply didn’t sell well in regular supermarkets, citing



Photo: Dollar General

the Grocery Clearance Center’s dizzying collection of specialty mustards ranging from Moroccan-spiced mustard to tomato vodka mustard with celery seed. (In addition, the store sells random non-food items that might be of interest to customers, including such things as mattress sets, hamster cages, piñatas, steel-toed work boots and umbrellas.) Alongside these unusual items, Grocery Clearance Center’s inventory includes dry groceries, dairy and refrigerated products and frozen foods.

“Most of my customers consider us their first stop; that is, they shop here first, purchasing what is available, then visit one or more other retailers in order to complete their list,” says Gluckman, whose discounts average 50 percent savings over regular grocery stores, although individual items may be discounted up to 80 percent. “Other customers, because of budgetary constraints, purchase only what is available at Grocery Clearance Center, regardless of preference,” says Gluckman. “If necessity dictates, it would be very possible to eat only salvage.”

For nutrition professionals and vigilant consumers, the idea of purchasing foods near or past expiration date may raise a red flag. Is this a food safety issue? Is it even legal? The biggest concern for expired products is flavor and freshness rather than safety (see sidebar on page 7), and many states only require

expiration dates on infant formula and some baby foods. Some states have additional requirements for dairy products, but for the most part, expiration dates exist to help distributors and retailers ensure that products are at peak freshness.

For other past-expiration food items, it’s ultimately up to customers to decide how much of a chance they are willing to take on the food and whether the savings are worth the risk.

As for other potential food safety concerns surrounding the integrity of salvaged products, discount grocery stores are regulated and inspected alongside conventional grocery stores using the same criteria. Primary inspection points are ensuring cold and frozen foods are received and stored at safe temperatures, and food inspection reports are widely available online.

WHY THE FOOD PRICE INCREASE?

While wholesale food prices in September 2010 were up 5.1 percent from the previous year, retail food prices increased only 1.4 percent, according to trade association The Food Institute. Many industry experts credit retailers with absorbing the blow so consumers would not get hit with a big jump in prices at the grocery store.

“They managed this by reducing labor costs through more automation or reducing their workforce, or

using sustainability measures to reduce energy and fuel costs,” says Brian Todd, president of The Food Institute.

But economists warn that this kind of protection by retailers can’t go on much longer. The U.S. Department of Agriculture’s Economic Research Service forecasts a 2 percent to 3 percent average increase in food prices for 2011. According to the ERS report, Food CPI and Expenditures: CPI for Food Forecasts, the biggest jumps will be seen in dairy products, pork, fats and oils.

Several factors are contributing to rising food prices, says ERS senior economist Ephraim Leibtag. Among them are rising fuel costs, increased global trade and higher demand for commodities such as corn, wheat and soy. Corn prices are projected to be as much as 47 percent higher than last year, and wheat and soy may be up by 14 percent. Such an increase makes it more expensive to raise animals fed on corn, wheat and soy, and leads to higher prices for other foods made from these commodities.

If there is a silver lining for the impending price increase, it’s that it may be a sign of market stabilization.

“We are coming out of a two-year period of relatively low food price inflation due to the recession,” says Leibtag, noting that at just 1.8 percent in 2009 and between 0.5 percent and 1.2 percent for 2010, it is the lowest food inflation has been since at least 1992. “We project that in 2011, food inflation will move closer to the historical norm, which is a 2.5 percent to 3 percent average over the past 20 years,” says Leibtag.

Do Discount Groceries Eat Up Food Pantry Donations?

According to the report *Hunger in America 2010*, at least one in eight Americans relies on food banks for meals or groceries. As food insecurity, particularly among children and the elderly, continues to rise in the U.S. faster than emergency resources become available, one may ask: Are stores that sell salvaged products cutting into food bank inventories?

Despite anecdotal input implying they are, the answer is not really, according to Ross Fraser of Feeding America, the nation's leading domestic hunger-relief charity.

“We move 3 billion pounds of food each year through Feeding America's network of 200 food banks; however, salvaged foods are only a small percent of the food we move,” says Fraser. “The vast majority of the food we provide is donated to us by food and agricultural producers, the U.S. Department of Agriculture and the wholesale grocery and retail industry. Last year, we rescued more than 450 million pounds of food directly from store shelves through donations from major grocers.”

Nonetheless, higher food prices will hit at a time when the national unemployment rate hovered around 10 percent for twelve consecutive months. And in many states, participation in the USDA’s Supplementary Nutrition Assistance Program has doubled since 2006, emphasizing just how challenging it is for many Americans to feed their families.

“The reality is that in this economy, people are going to shop [for food] everywhere,” says Kim Kirchherr, MS, RD, LDN, CDE, chair of the Supermarket Subgroup of ADA’s Food and Culinary Professionals dietetic practice group.

“It’s important for registered dietitians to know the product offerings in addition to the educational tools,” says Kircherr, “such as who offers a good selection of gluten-free products for celiac patients, or who carries allergy friendly lines, as well as organic and natural offerings that many families are asking more about.”

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What Do Different Expiration Dates Mean?

“**Sell-By**” dates tell the store how long to display the product for sale. You should buy the product before the date expires.
“**Best if Used By (or Before)**” dates are recommended for best flavor or quality. It is not a purchase-by or safety date.
“**Use-By**” dates reflect the last date recommended for the use of the product while at peak quality—determined by the manufacturer.

Source: USDA Food Safety and Inspection Service



Photo: Family Dollar Inc.



Grocery Outlet offers a full range of groceries, including fresh produce, frozen food, wine and beer. Photos: Kristina Sado

OPPORTUNITIES FOR REGISTERED DIETITIANS

Despite their scaled-back staffs and smaller retail facilities, deep discount grocery stores are embracing social media and offering online information that rivals the websites of many larger, traditional supermarket chains.

"We have a growing Facebook page and a Twitter account where we post our deals," says Grocery Outlet's Porter. "We offer our customers giveaways, contests and Grocery Outlet coupons to keep them engaged."

With 13 locations in southeastern Pennsylvania, Amelia's Grocery Outlet (no affiliation with the Grocery Outlet above) touts a website complete with specials, shopping lists, video libraries and a community anti-hunger program.

Dollar General, one of the largest dollar store chains with more than 9,000 stores across 35 states, features "DG Meals," a modest collection of recipes using products sold by Dollar General and cooking demonstration videos by spokesperson "Chef Clay."

"I recommend getting to know all the outlets that sell food in the communities supported by your facility or business as a way to enhance patient education," says Kircherr, who is a corporate dietitian for Jewel-Osco, Hornbacher's, Shop n Save and SUPERVALU Pharmacies in Illinois. "Additionally, more and more stores—including some discount stores—are working with RDs, so this exercise of familiarizing yourself with all types of local stores can help open the possibilities of who provides nutrition education," says Kercherr.

For many consumers, the savings offered by deep discount grocery stores may seem like a fair trade for the small inconvenience of inspecting each item before it goes in the shopping cart, or having to make an extra trip to another store. Considering the forecasts in rising food prices, discount grocery stores may soon be beating out the supercenters for the frugal shopper's dollar.

White is a nutrition writer and works as a registered dietitian in the transitional care unit of a long-term care facility in Seattle, Wash.

Have you perused the food aisles of a dollar store, been to an extreme value discount grocery or visited a salvaged product clearance center? What did you think? E-mail us at adatimes@eatright.org.

RESOURCES FOR ADA MEMBERS

- **Food & Culinary Professionals Dietetic Practice Group and Supermarket Subgroup**
www.foodculinaryprofs.org
- **Supermarket Facts Industry Overview 2009**
www.fmi.org/facts_figs/?fuseaction=superfact
- **"The Future of Food Retailing Report"**
www.willardbishop.com/comp_edge.php
- **USDA Economic Research Service**
www.ers.usda.gov
- **The Food Institute**
www.foodinstitute.com
- **Supplemental Nutrition Assistance Program: Average Monthly Participation (data as of January 5)**
www.fns.usda.gov/pd/16SNAPpartHH.htm