Choosing the WAY
Buying in Multiple Stores: Shopping Strategies Beyond Price Promotions and Their Effects on Store Competition

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One of the most important trends characterizing today’s grocery retail business is the massive rise in multiple-store patronage. Rather than passively revisiting the same store — either out of habit or due to an aversion to change — consumers actively exploit the opportunities offered by a differentiated retail environment by visiting two or more stores on a regular basis. In fact, strictly store-loyal consumers have become the exception rather than the rule. The majority of all grocery shoppers regularly visit more than one store each week.

Grocery-store switching has typically been viewed as evidence of cherry-picking behavior, with consumers switching stores to benefit from temporary promotional offers. However, research reveals that it may also result from a longer-term planning process based on stable store characteristics.

A balance of costs and benefits /// Consumers trade off among several types of benefits and costs when making their shopping decisions. First, there are variable costs (the amount paid to acquire the products). Then there are the costs of handling and storing the products at home. The third category encompasses such fixed shopping costs as the time and effort required to go to the store, walk through the aisles and wait at the checkout. While acquisition and holding costs depend on the level of demand, transaction/fixed shopping costs are incurred — independent of the level of demand — each time a shopping trip is made.
On the benefit side, there are consumption benefits (the utility of consuming the products, which is related to the store's assortment), and fixed in-store benefits (the pleasure derived from the act of shopping, which, for instance, is enhanced by store ambience and service level).

**Getting the best of both worlds**

Consumers systematically balance costs and benefits and develop three rather stable shopping patterns to optimize their grocery shopping. Consumers either visit a single store or multiple stores, either on one single shopping trip or on a combined trip (see Figure 1).

A random subsample of a GfK Dutch household panel containing information about 906 households and the top 12 national grocery chains (representing four different store formats) over a one-year period revealed the following shopping and store-switching patterns: 61.9% of the customers were multiple-store shoppers. Most of these customers (90.8%) usually visited both stores on separate shopping trips, but a much smaller group (9.2%) visited the different stores on the same shopping trip. These shopping patterns appear to be quite stable over time: The large majority of consumers (83%) adhered to the same shopping routine.

An analysis of the stores’ costs and benefits helps to explain these patterns. In the case of “fixed-cost complementarity,” consumers alternated visits to high and low fixed-cost stores to balance transportation and holding costs against acquisition costs (e.g., because one store is closer or more pleasant to shop in). Two stores exhibited “category-preference complementarity,” when one store was preferred over the other for one product category, while the other store offered better value for money (lower-weighted variable costs) for the second product category. This induced some consumers to visit both stores on combined shopping trips. But most of the multiple-store shoppers chose to systematically visit the two stores on separate trips at different times. A certain product might have been predominantly bought in the preferred store (e.g., laundry detergent where it is cheaper), but some replenishment took place upon visits to the less-preferred store (e.g., a nearby store with fresh vegetables). This approach could provide consumers the best of both worlds.
FIGURE 1:
Consumers’ cost and benefit consideration and resulting shopping patterns

Price of products (variable)
Handling costs (variable)
Time and effort to get to and around the store (fixed)

Utility of products (variable)
Pleasure within store (fixed)

SINGLE-STORE SHOPPING PATTERN
SEPARATE-STORE SHOPPING PATTERN
COMBINED-STORE SHOPPING PATTERN
Supermarket visits are often combined with visits to hard discounters, whereas combined trips to same-format stores tend to be exceptions.

The shopping patterns are not the same for all categories of grocery stores, however:

- Market shares of supermarkets and large discounters are quite similar for each of the three shopping patterns.

- Superstores, in contrast, appear to attract a much greater share of grocery spending from single-store shoppers than from multiple-store shoppers.

- The opposite pattern is observed for hard discounters, which — while unsuccessful among single-store shoppers — capture a substantially larger share of expenditures from customers who visit multiple stores on separate shopping trips and even more so on combined trips.

- Multiple-store shopping is more prominent among stores with different fixed (size/store service and atmosphere) or variable (price/quality of product assortments) shopping costs. For instance, supermarket visits are often combined with visits to hard discounters, whereas combined trips to same-format stores tend to be exceptions.

- High combination rates were found for hard and large discounters with supermarkets, as were extremely low percentages of combinations for same-format stores.
Shopping motives influence the organization of shopping trips ///. Even in the absence of promotions, consumers have good reasons for shopping in multiple grocery stores. There is a link between consumer motives and the way shopping trips are organized. With fixed-cost complementarity, stores are always visited on separate shopping trips. With category-preference complementarity, consumers may also engage in combined shopping trips, and the choice between separate-versus combined-store outings presents an interesting trade-off between fixed and variable shopping costs. On the one hand, combined visits allow the consumer to save on transportation costs per trip and to purchase each product exclusively in the store where it is preferred. On the other hand, when the stores are visited on separate trips, the number of trips per store can differ and the trips to different stores can be spread over time. This allows the consumer to purchase high holding-cost categories on a more frequent basis, shifting a portion of these categories’ purchases to the less-preferred store.

Store competition reconsidered: “Teamwork” may outmatch competition

These results have important implications for store competition. Depending on a store’s characteristics relative to local competitors, different competitive strategies are recommended for retailers.

> If customers visit either one store or the other, as it is typical for retailers of the same format (e.g., large discounters or supermarkets), it is more appropriate to pursue complete loyalty among a subset of consumers (share-of-customer competition).

> In the presence of complementary stores (e.g., of different formats), retailers may try to maximize their share in categories where they have a relatively strong fixed- or variable-cost position (“share-of-wallet” competition). They might try to encourage consumers to buy primarily in categories that are particularly attractive in the respective format. Depending on the type of competition or complementarity, distances to the store and between the stores play an entirely different role. With fixed-cost complementarity, low fixed-cost stores typically derive their relative appeal from being closer to the customer than their competitors and hence view geographically close competition as a serious threat. This would, for instance, be the case for a supermarket faced with the entry of a large discounter in its local market.

> When stores are category-preference complements, as in the case of a supermarket and a hard discounter, a location close to the complementary store may actually have the opposite impact. By facilitating combined-store visits, the location may create an attraction effect and even provide benefits to chains, allowing them to “team up” against more remote competitors who have an appealing offer across the board.

Managerial summary of an article published in the top academic journal “Journal of Research in Marketing”: