

PRICING, PACKAGING, AND MARKETING PRACTICES IN THE RETAIL FOOD SECTOR - AN ETHICAL IMPACT ANALYSIS OF CONSUMER BEHAVIOR

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ABSTRACT

Anecdotal evidence shows that retailers' strategic pricing, packaging and marketing practices may affect the buying and consumption behavior of the single consumer in retailing. Depending on the stage of the consumer's lifecycle and to a certain extent the voluntary or involuntary lifestyle of the consumer we argue that the single consumer is severely disadvantaged in terms of equitable opportunity for purchasing food products by choice, by size, and by price. Evidence also suggests that unless retailers change their current practices the gap in buying and consumption asymmetry for the single consumer may never be closed. This paper investigates the ethical behavior of retailers in strategic pricing, packaging and marketing practices in the United States. The main purpose of the study is to identify ethical behavior, both strategic and tactical; of retailers in the promotion and sale of products whose price asymmetry causes disadvantages to single consumers. The results of the investigation are to be used to raise awareness for the single consumer and to provide an insight for all stakeholders about retail pricing practices. A purposive sample of major retail food outlets both chain operated and privately owned in selected cities in Southern and Northern California were selected for the study. We employ a qualitative research approach based on desk and field work with non-intrusive observation and mystery shopping techniques. The research is based on the ethics of packaging, pricing, and marketing theory and best practice. The results will benefit all single consumers at any life stage and of any lifestyle across the country.

Background

Selling food is the responsibility of a retail food provider in specific locations of inner cities or rural areas of consumers' residence. According to Webber, Dollahite, and Sobal [1] purchasing food is an integral part of managing food consumption and dietary quality of the consumer. Selling food products requires marketing strategies and techniques such as segmentation, positioning, branding, targeting, consumer research, and market entry strategy [2]. These strategies are then applied to specific demographics according to their geographic location, income potential, and among other factors, to consumer psychographics. Whilst it is just fair for a retailer to generate the highest profit for its stakeholders it is argued that the retailers' strategic pricing, packaging and marketing practices used to increase profits may be considered unethical as they may affect the buying and consumption behavior of a large consumer demographic, the single consumer. Milton Freedman argued that a firm has one social responsibility; to generate profit [3]. However in recent times critics argue that such a theory should not continue to be perceived as "carte blanche" by corporate retailers especially, to generate profit by using unethical and at times deceptive practices in selling food product to consumers. Even during economic downturns retailers continue to strive for higher profit by passing inflationary cost of goods to the consumer. According to the American Farm Bureau Federation retail food prices at the supermarket increased by 2 percent during the fourth quarter of 2010 and by about 10% compared to the same period

in 2009 [4]. Retailers however claim that they strive to provide marketing efficiency to the consumer and will do their outmost to satisfy them. They further argue that the scope of “Food Marketing Efficiency” is to provide consumers with desired levels of service and products at the lowest cost possible [2]. Others however argue that the strategy to please the consumer should not be abused to minimize costs after products leave the place of origin. Services, whether needed by the consumer or wanted as “value added” later by the retailer may be indeed valuable to the consumer however, retailers should not exaggerate the cost of added value by increasing variable cost such as overpackaging, making unsupported claims. According to economic theories the price level is set by supply and demand however unethical pricing strategies often are not applied according to the law of supply and demand [5]. Advertising is a tool retailers have used effectively to attract the desired consumer and advertising effectiveness is often achieved through the application of emotional intelligence [6]. Tactical advertising techniques such as “wrong country of origin” E.g.: Italian Gelato when no ingredients are from Italy, or “buy one get one free” to sell additional quantity have affected the single consumer more than multiple consumers in one household. Despite the fact that the single consumer is affected more than those in large households, some still value a product more than others and are willing to pay more [7] [8]. In response retailers engage in price discrimination and generate interest in the consumer of their choice who is willing to pay the higher price. E.g.: they offer food products that only certain customers are eligible at a lower price: seniors, students, etc... Retailers offer special sales regularly and undiscerning consumers who look for savings will take advantage of the special offers. During the shopping process the decision as what to buy can be made by one or more individuals in case of demographic make-up of more than person in the household or by one person “the single consumer” if the household consist of less than two persons. For the purpose of this study single consumers are defined as consumers > 15 years of age who have never been married, those who are divorced or separated, and those who are widowed. According to the 2005-2009 American Community Survey five year estimates data [9] the percentage of single consumers is 49.7% of the total population of which 47.7% are male and 51.6% are female, (See table 1).

Table 1. Marital Status of U.S. Consumer

Gender-15 years of age and over	Total Population	Married	Single
Male	117,166,601	52.3%	47.7%
Female	122,980,334	48.4%	51.6%
Total	240,146,935	50.3%	49.7%

Source: U.S. Census Bureau, 2005-2009 American Community Survey 5 year estimates

Preliminary results

The data collected by a qualitative research approach [10] to date from 6 different retail stores provided the following results: With the exception one food store all fresh cut meat and fish items are packaged with minimum of 3 servings; if the same items are purchased in single servings from the Butcher Block the price is higher. Items such as fresh milk are packaged at minimum one quarter size which is inconvenient for the single consumer. Bread is packaged in large size; if bread rolls were selected they are packaged in packages of 4 or more. Items purchased from the delicatessen counter such as sliced meats and cheese are often pre sliced with an excessive thickness that compels the consumer to change their eating behavior or their recipes if the items are used in cooking. As a result we have identified one major factor: if a single consumer buys packaged meats containing 3 servings, he/she can consume one and either freeze the others or eat the same food for 3 consecutive meals. Clearly we posit that the marketing, packaging, and pricing strategy can cause disadvantages to the consumer through dubious ethical pricing asymmetry.

This is a work in progress; the final results will be made available upon completion of the research. For references please contact the corresponding author angelo.camillo@woodbury.edu.