



SuperMarket RESEARCH



Volume 5 Number 3 • Fall 2003

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IN-DEPTH

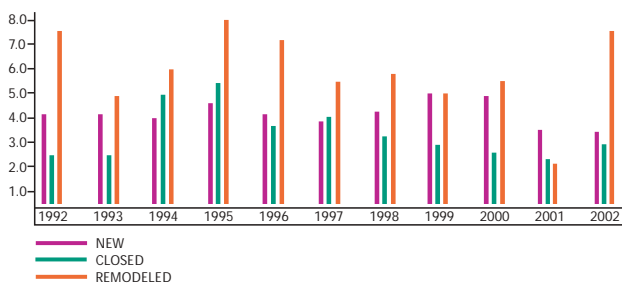
An Overview of Facts About Store Development

Store Development Landscape

The year 2002 presented many challenges for the retail food industry — a challenging economic climate affected consumer attitudes, sales and profits. In this risky and unstable environment, supermarket companies shifted their efforts toward remodeling, a practice that reached record lows the year before.

The proportion of newly constructed stores decreased for the third year in a row, reaching only 3.4 percent of all stores, according to FMI's recently released *Facts About Store Development, 2003* report (Figure 1). In addition, the harsh economic state may be to blame for the increase in store closings, almost matching the highs of five years ago. Yet, the number of store openings surpassed closings. The rate of remodels saw a significant increase in 2002, from a 10-year low to 7.5 percent of stores. Moreover, the percentage of companies remodeling stores nearly doubled supporting the fact that remodeling was the store development activity of choice in 2002.

Figure 1: Percentage of Stores New/Closed/Remodeled, 1992-2002



For the first time, *Facts* surveyed retailers about their store development plans. Store remodeling will continue to be the most popular store development activity with 7.2 percent of stores scheduled to undergo a "face lift" in 2003. The companies surveyed also have a positive outlook on the future — store constructions are projected to increase to 4.7 percent of stores and store closings are to decrease slightly to 2.5 percent.

New Store Costs

In 2002, the supermarket industry's total construction costs per square foot continued to increase to a record high of \$124.00 (Table 2). Last year, the increase in total construction costs was attributed to higher investment in equipment and fixtures and décor in the stores. This year, however, these costs decreased slightly while building costs increased.

Table 2: Median New Store Costs per Square Foot, 1998-2002

	Total Construction Costs	Equipment & Building Costs	Fixture Costs	Décor Costs
2002	\$124.00	\$64.83	\$42.29	\$2.61
2001	\$108.00	\$58.00	\$46.50	\$2.88
2000	\$98.26	\$64.26	\$37.48	\$0.57
1999	\$103.32	\$64.00	\$37.40	\$0.75
1998	\$106.50	\$55.65	\$45.68	\$2.30

Store Remodeling Costs

The typical total capital investment per major remodel in 2002 was \$926,500 — nearly a quarter less than the typical investment of \$1,215,000 in 1998 (Table 3). The figure has seen a steady decline for the past five years. Among the companies that expanded their stores, the total investment for remodels that were "within-the-walls" was three times higher at \$1,651,288 versus \$600,000.

Table 3: Median Store Remodeling Capital Investment per Store, 1998-2002

	Total Investment	Equipment Investment	Structural Investment	Décor Investment
2002	\$926,500	\$493,000	\$350,000	\$74,000
2001	1,375,808	518,500	800,000	100,000
2000	1,607,000	777,000	830,000	--
1999	1,849,000	879,000	694,500	--
1998	1,215,000	420,000	240,000	--

-- = Question not asked that year.

For further analysis and data on store construction and store remodeling trends check out *Facts About Store Development, 2003*. To order a copy go to www.fmi.org/pub/.



CONSUMER CORNER

Healthy Buying Habits in Families with Children

Despite an increase in the availability of nutritional information and reports on the adverse effects of unhealthy eating, many people still find it difficult to eat healthfully. Recent reports on child obesity suggest that the problem is even more prevalent in younger generations. In fact, childhood obesity has doubled in the last three decades,¹ translating into a greater likelihood for adult obesity when these children grow up. If parents fail to teach healthy eating habits to their children today, we can expect that obesity and other health problems associated with unhealthy diets will be a part of our future tomorrow.

Unfortunately, adults with children usually face extra hardships that might prevent them from consuming healthy food. Three additional considerations that parents are likely to face when purchasing food for their families are: (1) less time to think about and prepare healthy foods, (2) a smaller budget to buy healthy foods that they perceive as more expensive, and (3) their children's tastes for unhealthy food.

FMI's annual shopping trends² study found about 42 percent of grocery shoppers have children. It is important to note that this survey did not study the trends of individuals, but of households. Thus, the nutritional information does not necessarily reflect the eating habits of children.

Consumers' perception of their eating habits is an indication of their desire for healthier diets. FMI's *Trends 2003* found that three-quarters of parents with children admit their diet could be at least a little healthier, while only 63 percent of households without children believe they could eat healthier. When it comes to assigning responsibility for healthy food, nearly half of shoppers with children believe the individual should be responsible for the food they buy (49 percent compared to 44 percent of those without children). Shoppers with children 6 years old or younger on average take even more responsibility for the healthiness of food (55 percent). These averages are much greater than the 17 percent who place the responsibility on manufacturers, and only 5 percent who place it on retailers. Therefore, one might conclude that shoppers with children, more so than those without, admit to an unhealthy diet as well as take responsibility for that diet.

Many consumers make minor changes to eat healthier. The most common change shoppers make to eat healthier is to add more fruits and vegetables to their diet (7 in 10 shoppers claim to have made this effort). Other popular healthy options are consuming less sugar, less fat/oil, less red meat, or less junk food. Among these choices are some which families with children are more likely to adopt and other shoppers are less likely to adopt. Those shoppers with children have an edge in eating more fruits and vegetables (74 percent versus 69 percent of those without children), drinking more water (8 percent versus 4 percent), eating less junk food (26 percent versus 22 percent), and less fried food (8 percent versus 3 percent). Eating more fruits and vegetables is especially popular among those with young children (aged 6 years or less, which averaged 4 percent more participation than the average household with children). On the other hand, eating less junk food was more popular among those with teenagers (aged 13-17, which averaged 4 percent higher than the average household with children). Those without children are more likely to eat more fish (8 percent versus 5 percent of those with children), and eat less red meat (20 percent versus 16 percent).



For the most part, households with children do not have any healthier or healthier eating habits than those without. Most shoppers with children realize the importance of eating healthfully, and they are even more likely to admit that their diets could be healthier. However, concern for nutrition is usually forced to take a backseat to convenience and money-saving measures. In order for children to overcome the obesity epidemic, parents need to set a good example and make healthy decisions when purchasing food. This will be realized only if shoppers can find convenient and cost-saving options in local stores.

Andy Wright, FMI Intern, developed this special analysis of the 2003 Trends data.

FMI has many sources of information on consumer attitudes toward nutrition and health. For the most recent research check out [Trends in the United States 2003: Consumer Attitudes & the Supermarket](#).

For an in-depth look at the health and nutrition attitudes of families with children check out [Shopping for Health 2003 — Whole Health for the Whole Family](#) To order a copy go to www.fmi.org/pub/.

¹USDA: "Facts About Childhood Obesity and Overweightness," 1999.

²Trends in the United States: Consumer Attitudes & the Supermarket, 2003 (FMI, Washington, DC, 2003).

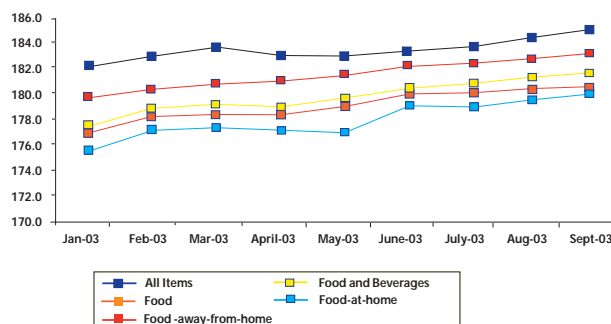
EYE ON THE ECONOMY

Consumer Price Index (CPI)

On a seasonally adjusted basis, the CPI rose 0.3 percent in September, the same as in August. The index for food rose 0.2 percent while the index for food-at-home was up 0.3 percent, following a 0.4 percent rise in August. Increases in the indexes for dairy products and for meats, poultry, fish, and eggs were partially offset by declines in the indexes for fruits and vegetables, for cereal and bakery products, and for nonalcoholic beverages.

Within the meats, poultry, fish, and eggs group, beef and pork prices rose 1.5 and 1.7 percent, respectively. Beef prices have risen 10.0 percent and pork prices 5.5 percent during the last 12 months. Milk prices rose 5.0 percent in September, their largest monthly gain since a 6.5 percent increase in October 1999. In contrast, the index for fruits and vegetables declined for the second consecutive month, down 0.7 percent in September. Declines in the indexes for fresh fruits and for processed fruits and vegetables — down 2.2 and 0.9 percent, respectively — more than offset a 1.0 percent increase in the index for fresh vegetables. Among the other major grocery store food groups, the indexes for cereals and bakery products and for nonalcoholic beverages each declined 0.1 percent, while the index for other food-at-home increased 0.2 percent. The other two components of the food and beverages index — food-away-from-home and alcoholic beverages increased 0.1 percent and 0.6 percent, respectively.

Seasonally Adjusted CPI for All Urban Consumers



SUPERMARKET INDUSTRY RESEARCH



Supermarket Industry Research highlights the latest Food Marketing Institute research. For more information on FMI research contact Anastasia Jafari at 202/220-0733 or ajafari@fmi.org.

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The Sources

Facts About Store Development 2003
FMI, Washington, DC

*Shopping for Health 2003 –
Whole Health for the Whole Family*
FMI, Washington, DC

*Trends in the United States 2003:
Consumer Attitudes & the Supermarket*
FMI, Washington, DC

Bureau of Labor Statistics

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