1991

An Analysis of the Consumer's Perception of Pricing at Save-A-Lot Food Stores

Walter S. Jones

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An Abstract Presented to the Faculty of the Graduate School of Lindenwood College in Partial Fulfillment of the Requirements for the Degree of Master of Business Administration

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ABSTRACT

This study focused on Save-A-Lot retail grocery stores and why consumers shop at these types of stores.

Save-A-Lot stores are limited-assortment retail grocery stores. In todays fast-paced society, with many two-income households, consumers are always on the go. Many shoppers are looking for one-stop shopping capabilities, service departments, and stores that are open late hours. If this is the case, then it would be logical to believe that consumers would not shop at Save-A-Lot stores. Save-A-Lot stores offer very little service, shorter hours than conventional stores, and they claim to only offer the consumer 90% of the products they desire to purchase.

The purpose of this study was to investigate the possibility that consumers are willing to accept the shorter hours, less service and less variety because of the lower prices offered at

Save-A-Lot. Save-A-Lot has communicated an image to the public of offering groceries at as much as a 40% savings over conventional stores. It is hypothesized that consumers shop at Save-A-Lot because of these low prices.

Twenty-nine shoppers participated in the survey. The survey examined such criterion as cleanliness, low prices, accurate pleasant checkout clerks, convenience, variety of products, and several other factors as the basis of choosing which store to shop.

The data was appropriately analyzed and did not produce enough evidence to accept the hypothesis. The conclusion was reached that, while low prices may be one of the reasons that consumers shop at Save-A-Lot it can not be concluded that this is the primary reason.

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DEDICATION

I would like to dedicate this project to my family and friends who continually encourage me to accomplish more than I ever dream that I can. I would like to thank my parents, Sam and Eunice Jones for encouraging me and helping me to obtain a good education. I would also like to extend a special thanks to my wife Patty and my children, Tara and Scott, for tolerating my long hours spent away from home for education and my business endeavors.

ACKNOWLEDGEMENT

I would like to extend a word of thanks to my former employers and current partners, Monroe and Kim Mountford, for helping me to achieve my academic goals by working around my many years of schooling. I would also like to extend an extra special work of thanks to the Mountfords for helping me to achieve my longtime dream of owning my own grocery store.

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Chapter I

INTRODUCTION

Competition

Today, the retail grocery industry is more competitive than ever. According to a report prepared for the Food Marketing Institute (FMI) convention, the 1990's will experience the continuation of some powerful trends. From an industry perspective, these trends, among others, include a reduced reliance on supermarkets for food and an increase in competition (Sansolo, Rethinking 64).

According to the FMI report, to remain competitive, it is important for the retailers to look at the consumers lifestyles and then look at new services that would help the store fulfill these needs. It is generally believed within the industry, that the service oriented stores will prosper and the number of services offered in the retail grocery store will continue to increase to meet consumer demands. Some of the future services aimed at fulfilling these needs may include, baby-sitting, blood pressure checkups, dating services, laundry services, home deliveries, drive-up windows, and prepared foods. Prepared foods may be an important part of the store of the future as the report states that the most obvious change through the year 2000 will be the growing percentage of shoppers who don't have the time to cook (Sansolo, Rethinking 64). All of the new services offered will be aimed, not only at increasing business, but also at keeping the retail grocery store alive.

According to Joe Schwartz, author of "Why They Buy" for American Demographics magazine, competing supermarkets are struggling to attract the business of a national population that is growing by less than 1 percent a year. With the combination of continually increasing competition and a slow growing population, it is a continuing struggle for the retail grocer just to stay in business. According to Progressive Grocer's 56TH Annual Report of the Grocery Industry, about one-third of independents and chain managers report that one of their competitors has closed each year (56TH 19).

While supermarket competition is as intense as ever, competition also comes from food-away-from-home sales, as well as non-food retailers and telemarketers. Wholesale clubs, fast food restaurants, and traditional non-food retailers such as Wal-Mart and K mart are rapidly becoming an important part of the supermarkets competition.

In the past, grocery stores have relied on such tactics as double coupons, reduced pricing, hot specials and loss leaders to attract consumers away from their competitors stores and into their own. Today, retailers continue to use these tactics, but also rely on increased services, more convenient hours (i.e. 24 hour openings), and increased variety of products offered to attract more business. Satisfying the consumer, as always, is the number one priority. In order to be successful in this highly competitive business, retailers must know their customers and know what their customers value.

Save-A-Lot Stores

Despite increasing inflation many new businesses were starting up during the 1970's. According to Express Lane, a magazine produced by Save-A-Lot LTD for Save-A-Lot food stores, "Late in the year 1977, the grocery industry gained a destined star in the area of limited assortment food stores." (Express Lane, 12).

About ten years ago, Save-A-Lot recognized that smaller food stores could not compete with conventional supermarkets by attempting to follow a conventional supermarket program on a smaller scale. The company recognized that there would always be a demand for quality products at everyday low prices. This was the primary reason for the beginning of the Save-A-Lot limited assortment, discount food store program (The Save-A-Lot Program 1).

Save-A-Lot's discount grocery mission statement states:

> "Save-A-Lot competes in the food and general merchandise retail sector and represents a highly segmented form of retailing with significantly lower pricing as the principal marketing thrust. We sell a limited assortment of high volume products, purchased at the lowest possible cost and sold at the lowest possible retail. Low retails demand a commitment to operate at the lowest possible, most efficient and productive cost levels. Therefore, decisions that guide the growth of our business will constantly be weighed against their relative impact on retail pricing."

Save-A-Lot stores do not claim to offer "one-stop-shopping capabilities" (i.e. all of the products the consumer is looking for). Save-A-Lot stores are "limited assortment stores" in that they carry the key products necessary to satisfy approximately 90 percent of the consumers' needs. Save-A-Lot does offer some national brands, however the primary emphasis is on high quality, low priced private label products.

Save-A-Lot offers a limited assortment of brands and sizes that enables them to give the consumer most of the variety they require.

While there is a high degree of emphasis on cleanliness, and customer courtesy, many of the services found in traditional stores are not offered in Save-A-Lot stores. Save-A-Lot stores are considered "no-frill" stores. The stores display products in the original cases. This reduces the need for expensive shelving and reduces labor costs. Consumers bag their own groceries in bags purchased at the store or in the free boxes provided by the retailers. Carryouts are not offered. There are no money orders sold, no check cashing services (except for amount of purchase), and no utility collections.

Save-A-Lot stores generally offer a limited number of operating hours. In a decade when 24 hour openings and Sunday hours have become the norm, a typical Save-A-Lot store may only be open 9-7 and closed on Sundays.

What Save-A-Lot does offer the consumer are products at everyday low prices which are generally significantly lower than conventional stores. By buying a limited number of brands and sizes, Save-A-Lot is able to buy large quantities which enables them to get lower product costs and these savings are passed along to the consumers.

While Save-A-Lot does not offer the increased services, more convenient hours, and increased variety of products that traditional stores are relying on to increase business, the company is continuing to grow. Save-A-Lot, a subsidiary of Wetterau, Inc., has grown, in a little over 10 years, from five small stores to over 250 retail stores in 17 states, generating over $400,000,000 a year in retail sales. Quality and price is always the top priority for Save-A-Lot. In fact, Save-A-Lot's philosophy is "The Best for Less". Many companies who have tried similar programs based on generics have failed. Save-A-Lot offers a 100 percent money back guarantee on all products sold. Canned fruits and vegetables are "Grade A-Fancy". This is the highest quality available (The Save-A-Lot Program 1).

While there are many differences between Save-A-Lot stores and traditional stores, based on size and sales volume, research reveals that Save-A-Lot stores compare favorably with other retail food outlets. Table 1 illustrates a comparison of food retailers to Save-A-Lot stores.

Table 1

How the Stores Compare With Other Formats

For their size and the amount of products they carry, limited-assortment stores generate significant weekly sales. Here's how they stack up with other formats.

	Number of items	Total Area/ Sq. Ft.	Weekly Sales
Limited Assortment	800	10,000	$57,000
Wholesale Club	5,000	100,000	770,000
Warehouse Store	12,000	30,000	200,000
Conventional Super	13,000	22,500	132,000
Superstore	19,500	40,000	262,000
Super Warehouse	20,000	55,000	510,000
Food/Drug Combo	27,000	53,000	338,000
Super Combo	60,000	80,000	900,000
Hypermarket	100,000	150,000	1,500,000

Source: Willard Bishop Consulting Economists, Barrington, Ill. (Turcsik 9)

Table 1 also reveals some of the wide variety of stores available for the consumer to purchase their groceries. Moreover, consumers can now purchase groceries in traditional non-food formats such as Wal-Mart and K mart. With so many varieties of stores to choose from, it may be difficult for consumers to decide where to shop.

Consumer Desires

It is a very important for everyone involved in the grocery business today to determine what consumers look for in selecting a grocery store. Consumers may choose from large hypermarkets, or small conventional stores. According to Leroy Hermes, president of Hermes Reed Hindman, a Houston-based architectural firm that designs hypermarkets, "We'll see trends toward the big and the little..." Hermes believes, smaller stores will be able to target specific needs while larger stores will be for once a week shopping trips (Sansolo, Blueprints 99).

Table 2 illustrates some of the specific needs that might attract the consumer to a particular food store.

Table 2

Shoppers Desires

Rank	Characteristic	Score	% rating extremely important	% rating not important at all
1	Cleanliness	93.3	74%	0%
2	All prices labeled	92.1	71	1
3	Low prices	91.2	72	0
4	Good produce dept.	90.5	66	1
5	Accurate, pleasant clerks	90.0	64	0
6	Freshness date on products	89.4	69	1
7	Good meat department	88.9	69	2
8	Shelves well stocked	87.9	54	0
9	Short wait at checkout	86.2	54	0
10	Convenient location	86.2	54	1
11	Good parking facilities	84.6	52	2
12	Good layout for fast shopping	84.0	46	0
13	Good dairy department	83.6	52	2
14	Helpful personel in service	82.5	45	1
15	No shortage of items on special	82.5	53	4
16	Frequent sales	80.5	49	5
17	Unit pricing signs on shelves	80.1	50	4
18	Good selection of national brands	80.0	42	2
19	Aisles clear of boxes	78.1	42	2
20	Good frozen department	76.7	38	3
21	New items advertised are available	76.3	37	2
22	Pleasant atmosphere	76.1	37	1
23	Baggers on duty	74.0	40	6
24	Offers double-value coupons	73.7	53	12
25	Not usually overcrowded	73.5	33	4

Table 2

Rank	Characteristic	Score	% rating extremely important	% rating not important at all
26	One-stop shopping capabilities	72.8	40	8
27	Good selection low-priced store brands	70.8	34	6
28	Friendly Manager	68.9	35	7
29	Check-cashing service	66.0	37	15
30	Open late hours	62.5	31	17
31	Good deli department	62.5	25	11
32	Customer restroom facilities	59.3	28	15
33	UPC scanning registers	56.8	24	17
34	In store bakery	56.0	19	16
35	Good selection of generics	55.2	22	15
36	Good drugs and toiletries section	54.5	20	17
37	Good assortment of non-foods	54.2	16	12
38	Carries purchases to car	43.9	18	32
39	Eye-catching mass displays	42.8	11	21
40	Has a pharmacy	39.1	13	36
41	Has money machine or auto teller	31.7	8	43
42	Trading stamps or other extras	30.0	9	44
43	Store people know customers names	29.7	6	45
44	Sells hot foods	28.2	5	40

About the Home Testing Institute

The Home Testing Institute has a national reputation in the research field with its National Consumer Mail and Telephone Research Center. The mail panel consists of some 170,000 households throughout the United States. Participants in the Progressive Grocer-HTI study were drawn from a special panel of 500 house-holds throughout the nation. This household panel is quota controlled to match the latest U.S. Census data estimates. The households surveyed this year contain an average of 2.3 people and have an annual income of $31,245 .

SOURCE: Condensed from Progressive Grocer's 55TH Annual Report.

As indicated in Table 2, low prices rate very close to the top of the survey. Better price- increased service are two topics that are often the subject of debate as to which is the most important. Price, as a factor in purchasing food items, is somewhat proportional to the economy. According to Hugh Farrington, President of Hannaford Bros., Scarborough, Maine, "How and where consumers buy food will be affected by the economy. The economy has been solid during the past five years, according to Farrington. But if inflation puts pressure on incomes, people will try to keep food costs low...." (Weinstein 21). While price will probably always be an important factor, in good times, variety, quality and service have become increasingly important.

Ron Pearson, president of Hy-Vee Food Stores, Chariton, Iowa, agrees that price is important, but Pearson believes that it will become less important in the '90s due to less time on the part of the consumer and an increased emphasis on convenience. Stuart Rosenthal, executive vice president of marketing for Vons Grocery Co., El Monte, Calif., predicts, "There will be less emphasis on price, and more on service, variety and quality" (Weinstein 24).

The increase in the number of consumers looking for services are affected by several factors including:

- The increasing female work force: By the year 2000 it is estimated that 75 percent of women will be working outside of the home.
- The decline of married couples as a percentage of all households. According to American Demographics non-family households outnumber married couples with children.
- Microwave ovens are now found in 75 percent of American households. This makes reheating items purchased in service departments such as delis much more convenient.
- More meal preperation by youngsters, mainly because of the microwave (Linsen Fresh 32).

According to the Neilson review of supermarket trends, The supermarkets desire to meet the consumers demand for convenience can be seen by the number of stores offering more services (1989 Neilson 56). These services include scanner-equipped checkouts, 24 hour openings, in-store banks, floral departments, video cassette rental, film developing, bakeries and service food bars.

In todays fast-paced society, with many two-income households, consumers are always on the go. There is an increasing emphasis on prepared foods including microwaveable and deli items to accomodate these shoppers. All of these services are an attempt to attract the one-stop shopper and to enable them to shop quickly and make as few stops as possible. One-stop shopping saves gasoline as well as time. If it is true that the consumers today are looking for one-stop shopping capabilities, many service departments, and stores that are open convenient late night hours, then they would not want to shop at Save-A-Lot food stores.

Purpose of Study

Consumer research is becoming an important part of the grocery industry. In this highly competitive industry you must know your customers. Consumer research can give retailers a competitive edge. The purpose of this study is to investigate the possibility that consumers are willing to accept the shorter hours, less service and less variety in exchange for a 40 percent price savings over conventional stores.

Chapter II

LITERATURE REVIEW

Why People Shop

One possible reason that people shop is to satisfy certain needs. Abraham Maslow, through his Theory of Motivation, sought to explain why people are driven by particular needs at particular times. Maslow established his hierarchy of needs to help explain this phenomenon. According to Maslow, a person will try to satisfy the most important needs first before moving on to the next level.

Maslow's hierarchy of needs can also be looked upon in terms of why people shop at a particular store or buy a particular product. According to Maslow, Physiological needs are the most important, and must be satisfied first. These needs include hunger and thirst which would also be the primary motivation for shopping.

Safety needs would be the next level that would need to be satisfied. The need for safety might be expressed by the person shopping for a new lock for their front door or a smoke alarm for their home.

The next level that would need to be satisfied would be the social level. Many consumers make shopping a social outing. They spend a great deal of time in stores talking with friends and socializing.

The next level would be esteem. Many consumers select a store or shop for a product based upon the level of recognition or status that they perceive the store or product will give them.

The final level in Maslow's hierarchy is the self-actualization level. If a consumer perceives himself as a thrifty person he may shop at a store which he believes to be low priced in order to fulfill his image of himself.

Perceived value could be another reason that people shop and buy. According to an article in USA Today, the decision to buy is driven by one of five basic consumption values (USA 5).

The five basic consumption values include:

-Functional value-- the product's ability to carry out its purpose is the main reason for buying it.

-Social value-- the product is picked because it conveys an image considered desirable by the consumer.

-Emotional value-- numerous choices are made mainly because they arouse desired emotions.

-Epistemic value-- certain decisions are driven mainly by curiosity or the wish for novelty.

-Conditional value-- other choices may be made because a consumer faces a certain situation or set of circumstances (USA 5).

The five basic consumption values can also be looked at in terms of why consumers select a particular store. In terms of the functional value, the stores ability to carry out its perceived image may be the main reason for shopping there. Through advertising, different stores attempt to convey a certain image to their shoppers. While some stores may want to emphasize low prices, other stores may empasize quality and service.

In terms of the social value, many shoppers may only shop at the "better stores" in town to maintain a certain social status among their friends. A shopper may also shop at a particular store because its atmosphere aroused certain desired emotions.

In terms of the epistemic value a shopper may try a different store for no reason other than being tired of the same old place. In terms of the conditional value, a shopper may select a store on the basis of necessity. They may be in a hurry and may stop at a certain store strictly due to its convenience.

As seen in chapter 1, different shoppers may have many different reasons for shopping in a particular store or for purchasing a particular product. It is very important for the retailers to know their customers and to know why they shop at their particular store.

Know Your Customers

According to Kotler, "The marketing concept holds that the key to achieving organizational goals consists of determining the needs and wants of target markets and delivering the desired satisfactions more effectively and efficiently than competitors." (Kotler 15). The marketing concept focuses on the consumer, in that, it is crucial to know who your customers are and what they value.

"For food retailers, the key to success is knowing who the customers are and why they buy." (Schwartz 40). Food Retailers in this competitive industry must make efficient use of demographics but it is also important to know their customers attitudes and preferences. According to Joan Hurley, assistant vice president for market research at Marsh Supermarkets in Yorktown, Indiana, focus groups can play an important part in determining consumers attitudes. An objective interviewer may be able to do an in depth interview to determine the consumers category and what they are really looking for.

A recent study by Booz, Allen, and Hamilton classified shoppers into six groups:

- Avid shoppers: The active cook/shopper/ bargain-seekers. These shoppers are the supermarkets core. The typical characteristics for these shoppers are usually found in two-parent homes with annual incomes between $10,000 and $30,000; in upper-income homes with the mother not employed outside the home; in childless homes where the woman is not employed; or shoppers between the ages of 65 and 74 who have an annual income of less the $25,000.
- Hurried shoppers: Busy shoppers looking for shortcuts in shopping and cooking. Typical characteristics: single-parent households with annual incomes between $10,000 and $30,000; higher-income households with mother working outside the home; and very affluent households with incomes above $75,000.
- Unfettered shoppers: Mostly older shoppers with considerable disposable income and less need to shop

carefully for food. Typical characteristics: shoppers between the ages of 50 and 64 whose children have left the home and shoppers between the ages of 65 and 74 whose annual incomes exceed $25,000.

- Kitchen strangers: Sophisticated consumers who are more likely to rely on restaurants than supermarkets. Typical characteristics: childless adults, married or single, below the age of 64.
- Kitchen birds: Older consumers who eat lightly and do little shopping. Typical characteristics: older than 75.
- Constrained shoppers: Unsophisticated, undereducated consumers with limited incomes. Typical characteristics: annual incomes less than $10,000.

The report suggests that retailers look at consumer's lifestyles and then look toward services that fulfill specific consumers needs (Sansolo, Rethinking 64).

Price, variety, convenience, and service are still important factors. Different groups of shoppers are looking for different things in selecting a store. Older shoppers appear to be less price concious and more interested in services. Unemployed shoppers and lower-income shoppers appear to be the most price concious. Younger shoppers are often looking for convenience such as late night hours and automated teller machines (56Th 45).

Consumer research, when properly used, should benefit the retailer and consumer alike. The retailer should be one step up on his competition and the consumer will benefit from improved selection and service (Schwartz 41).

An Age of Change

The '90s will bring with them many changes in demographics. Those in the grocery industry need to be alert to these changes and prepared to adjust their market focus to serve a different type of customer. There will be a shift in age distribution of adults (Table 3) and with it an accompanying change in attitudes.

Table 3

Changes in Number of Adults by Age

	Ages	2000 vs. 1988
Adults	18-24	- 8.2%
	25-34	-16.2%
	35-44	+23.7%
	45-54	+54.6%
	55-64	+10.3%
	65 and over	+14.4%
Total increase in number of adults		+10.4%

Source: U.S. Bureau of Census (Dietrich 35)

Probably the most significant information in this table is the aging of the baby boomers. The baby boomers include more than 82 million Americans born between 1946 and 1965. By the year 2000, even the youngest baby boomers will be 35. This will create a shift in the type of products purchased from those favored by younger adults to those favored by middle-aged adults (Dietrich 34).

There are a wide variety of consumers out there today, and they are all looking for something different in a grocery store. Retail grocery stores will need to adjust to a new type of consumer. According to Dietrich, these consumers will be looking for health and fitness-oriented products. They will also be looking for new hair care and skin care products to meet the needs of their aging bodies. Supermarkets will also find an increasing market for fresh and frozen prepared foods.

From an industry perspective their appears to be two main points of view in terms of what shoppers today are looking for. Most "experts" within the industry seem to agree that there is a move going on towards service and convenience and that this should be the primary thrust of the retailer today. Others say that there is still a strong desire on the part of the consumer for low prices and that this should be the primary concern for the retailer. If the retailer offers the consumer more services, their expenses will go up and they will usually raise prices to cover the increase. If the retailer offers the consumer low prices they can not afford to offer many of the services offered in other stores. Neither side would argue that the other side is not important. It is simply a question of which side is more important.

Increased Emphasis on Service and Convenience

In todays fast-paced world, with many two-income households, leisure time is becoming more and more valuable. Consumers just do not want to spend time in the grocery store, let alone cooking the meals after work. There is a growing trend towards convenience, which has carried over into the supermarket. This can be seen with the increase in microwaveable and prepared foods. Microwaveable foods are up 64 percent from 1986. The percentage of stores featuring a deli has increased to 86 percent while the size of the deli increased by 40 percent since 1985 (Neilson 57).

In an attempt to meet todays consumer demand for convenience, service departments have become an important part of the supermarket in recent years. Some services aid the shopper in shopping more quickly and conveniently, such as price scanners and 24-hour openings. Other services, such as automated teller machines and floral departments, add value to the shopping trip (Neilson 56).

The number of working women continues to grow. This has made time saving an important priority for many shoppers. Service departments can aid the consumers in providing them with one-stop shopping capabilities.

Shoppers can purchase items from departments such as service delis, seafood departments, cheese shops and floral departments. Shoppers can purchase donuts at the store bakery and even purchase full hot meals in their local grocery stores today. Other services offered include; film developing, lottery tickets, videotape rental and in-store pharmacies.

While one-stop shopping appears to be the key to the grocery market of the future, not all agree. According to Ken Partch, Editor in Chief of Supermarket Business, "There is probably no more overworked expression in retailing for the past 40 years than one-stop shopping." Partch believes that one-stop shopping is more of a retailer desire than a consumer desire. His belief is that most consumers would prefer a specialty store in any category for a major purchase (Partch, Supermarket Business 5).

Because of changing demographics, the low prices of the warehouse concept have taken a secondary status to convenience and service. If, as most of the trends suggest, consumers are looking for greater convenience and service, then logically, consumers would not shop at limited assortment stores such as Save-A-Lot.

Price Still Important

With the changes in demographics, younger shoppers are approaching their peak earning years. According to Progressive Grocer's 55TH Annual Report, "Throughout their adult years, these shoppers have seen a heavy emphasis on price merchandising; so bargains have become their reason for shopping." Double coupons, loss leaders, hot price specials, and every day low prices have been used by almost all retailers throughout the decade (55th).

According to a recent Food Marketing Institute report, consumers are becoming price conscious once again. "When we asked what shoppers care about most when selecting a supermarket," observed Patrick W. Collins, president and chief ooperating officer of Ralphs Grocery Co., Compton, Calif., "quality produce, good variety and quality meat continue to dominate. But this year, good, low, prices being up by four percentage points is now tied with quality meat." (Gatty, When Consumers Speak 14).

Table 4 indicates what consumers find important in selecting a primary grocery store, and also how well the store that they currently shop at rates in each of these catagories.

Table 4

How well supermarkets meet consumers expections: 1987-1990

Q: I'm going to read a list of factors that may or may not be important when a person decides where to shop for food. For each factor, please tell me if it is very important, somewhat important, not too important or not at all important to you when you select a primary food store.

Q: Now I'm going to read the same list of factors, and ask you to tell me how well the supermarket in which you usually shop does on each one. For each factor, please tell me whether your supermarket does an excellent, good, fair or poor job.

	Very or somewhat important				Excellent or good rating			
	1987	1988	1989	1990	1987	1988	1989	1990
Quality produce	98%	98%	98%	98%	85%	85%	85%	85%
Good variety	96	96	96	97	88	87	86	89
Quality meat	96	94	95	96	82	85	84	86
Good/low prices	93	94	92	96	73	72	71	66
Courteous employees	93	93	94	94	87	87	85	87
Readable accurate shelf tags	90	92	92	92	73	70	72	70
Convenient location	92	92	91	92	87	88	89	88
Fast checkout	89	88	88	89	70	70	71	69
Items on Sale	85	86	84	85	78	79	77	77
Health information	75	74	84	84	50	50	55	75
Convenient store layout	79	78	76	77	83	85	83	83

Source: Condensed from 1990 Supermarket Trends Report, Food Marketing Institute

While there does appear to be an increasing trend towards more service departments in grocery stores, there are enough different types of shoppers in the market to support many different types of stores. There is an emphasis on perishables and service departments in the grocery industry today, however, "...the grocery section is still the core of the store..." (Bennett 54).

Clearly labled low prices are important to nearly all shoppers (56TH 45). Consumers continue to worry about food price stability year after year. Shoppers continue to believe that they are spending more of their disposable income on food for the home even though government figures contadict this sentiment (56TH 41). This belief may continue due to the fact that consumers are very aware of even the smallest of price increases.

One recent study appears to contradict the belief that consumers are very aware of price increases. According to a study of 480 households in 2 markets by Supermarket Business magazine, 49 percent said that price was extremely important in deciding where to shop and 35 percent said it was somewhat important. This would seem to indicate that price should be the single most important factor for these shoppers (Partch, Litwak, Prices 15-21).

Responses to other questions seemed to contradict these findings. 42 percent of those surveyed indicated that they would not switch to another store to get special prices. According to the article, store loyalty is not easily given up for special prices (Partch, Litwak, Prices 15-21).

Another indication that price may not be a big factor is that only 23 percent of those surveyed said that their store had the lowest prices in the area. 52 percent believed that their store was competitive but not necessarily the lowest (Partch, Litwak, Prices 15-21).

Another interesting finding of the survey was that less than 50 percent of those surveyed knew the correct price for the vast majority of items purchased. This was found to be the case, despite the fact that the survey allowed a 5 percent range for error (Partch, Litwak, Prices 15-21).

According to the article, the findings seem to point to the conclusion that consumers want to feel that they are getting a fair price or a good deal, but that they do not need the absolute lowest price. The authors do conceed that it would be dangerous to overstate the lack of importance of price. 50 percent of those interviewed did know the correct prices. They also conceed that

Everyday Low Pricing (EDLP) does seem to have a positive influence on price recall.

Most factors seem to indicate that consumers are very aware of pricing. These factors also appear to indicate that pricing may still be an important factor in the selection of a grocery store.

How Save-A-Lot Compares

Save-A-Lot offers very limited variety. Gererally, about 800 items in comparison with 13,000 in a conventional format. Save-A-Lot claims to offer the consumer only 90 percent of the products they desire to purchase. Where a conventional store may carry 10 brands and 3-4 sizes of each brand, Save-A-Lot usually only stocks one brand and one size.

Save-A-Lot stores generally have much shorter hours than conventional stores. Many conventional stores are now open 24 hours for customer convenience. Save-A-Lot stores are usually open 9a.m. to 7p.m., and some stores are closed on Sundays.

Save-A-Lot stores also do not offer many of the services offered at conventional stores. Customers must bag their own groceries and even purchase the bags they use. Most Save-A-Lot stores do not have delis or bakeries.

Save-A-Lot stores do very little advertising in comparison to conventional stores. In addition to weekly newspaper ads, conventional stores often run television or radio ads, and often send out flyers. Save-A-Lot stores generally advertise only in the newspaper and on a once a month basis.

Save-A-Lot has a policy of high quality products at the lowest possible retail price. Retail pricing has been aimed at making a measurable impression of true discount and value to the consumer.

Consumers do Shop at Save-A-Lot

Despite the fact that many consumers are looking for many of the services and conveniences not offered by Save-A-Lot, the fact remains that many consumers do shop at Save-A-Lot. A 14,000 square foot store can often show sales of $100,000 or more weekly. Weekly customer counts often hit near 5,000 or better. These types of stores generally turn their inventory more than 30 times per year (The Save-A-Lot Program 5).

Save-A-Lot's customers appear to accept the fact that Save-A-Lot does not offer many of the services offered in conventional stores. Save-A-Lot appears to have located a niche in appealing to a certain segment of consumers who are willing to accept a lack of services in exchange for the lowest possible price.

Save-A-Lot does offer the consumer everyday low prices. Consumers are attracted to everyday low prices due to the fact that they don't have to chase low prices all over town. Many shoppers today run to two or three or more grocery stores to take advantage of advertised specials. The EDLP concept is supposed to save the shoppers time by removing the price factor. Shoppers can shop at one store and get the most for their money through EDLP (Sosna 28).

Hypothesis

Save-A-Lot appears to have located a niche in appealing to those consumers seeking quality products at a low price. The consumers appear to be willing to give up some of the convenience and services offered in traditional supermarkets in order to get these lower prices. It is hypothesized that the primary reason that consumers shop at Save-A-Lot is low prices.

Chapter III

RESEARCH METHODOLOGY

Subjects

The population studied included those shoppers who shop at Save-A-Lot. The sample pool consisted of volunteer Save-A-Lot shoppers. A sample unit of 100 was randomly selected from the shoppers in the Festus Missouri store. Twenty-nine subjects (29 percent) participated in the study by completing the survey. The systematically selected sample included twenty-four female and five male shoppers. For the purpose of this study a shopper was defined as any person who purchases any product or products at Save-A-Lot. Three surveys (3 percent) were rejected due to incomplete responses. The subjects represented a wide variety of ages (primarily those 20 and over). The mean age of the participants was the 30-39 bracket with a range of from under 20 to over 60. There are consumers of all ages who shop at Save-A-Lot. A large majority (over 82 percent) of the population studied was female. This was consistant with statistics that indicate that women are still the primary shoppers. The majority of those involved in the study (over 75 percent) had a high school education or less. The participants had no prior knowledge of the study, nor were they familiar with the research instruments.

Instrument

The instument used in the study was a self designed questionnaire (Appendix A). Ranking and Rating were combined in the questionnaire. Part I of the questionnaire was a rating section. This section used the Likert scale. The subjects were asked different questions concerning their attitudes about different aspects of shopping in the Festus Save-A-Lot store. They were asked to rate each item on the basis of how satisfied they were. In Part II the subjects were presented with a list of products and services that average shoppers look for in a grocery store. The subjects were then asked to mark those features of a store that are important to them in selecting a grocery store. In Part III the subjects were asked to rank a list of 5 items in terms of those that are most important to them in selecting a grocery store. The order of importance ranged from 1-5 with 1 being the most important. Part IV concerned the traits of the subject completing the survey.

Pilot Study

A pilot study was conducted to aid in adjusting the survey as necessary. The pilot study was conducted using shoppers at the Save-A-Lot store at Jefferson and Cherokee in Saint Louis. This store is similar to the store used for the actual study with the exception that the Jefferson and Cherokee store does not have a fresh meat department. While not having a fresh meat department may have affected the pilot study, this store was chosen due to the fact that it was the closest one in similarity to the Festus store at the time of the study. The pilot study was conducted using the survey shown in Appendix B. 10 shoppers were selected using the convenience method. A brief explanation of the test was given to each subject. To insure confidentiality the respondents were asked not to put their names on any pages of the survey. The shoppers were asked to complete the survey before they began to shop. This proceedure was chosen due to data suggesting that most people, when they finish shopping, are anxious to get out of the store and may rush to complete the survey at that time. Two very important facts were determined by conducting the pilot study. First it was determined that the survey was two long. 80 percent (8 out of 10) of those shoppers completing the survey complained about the length; and 5 shoppers out of the 15 asked refused to fill out the survey due to the length. Also it was determined that Part III of the survey was too confusing as 80 percent of those filling out the survey either omitted this section completely or did not complete it.

The actual survey was shortened and Part III was modified by seperating it into 2 sections to make it easier to understand.

<u>Procedure</u>

The actual survey was administered in the Festus store. 100 surveys were handed out. As with the pilot study, a brief explanation of the survey was given to each subject. The respondents were asked not to put their names on any pages of the survey to insure confidentiality. The original plan was to ask shoppers to complete the survey before shopping. This plan had to be altered after numerous shoppers refused to take the survey unless they were allowed to take the survey home with them to complete it. The respondents were allowed to take the survey home and were asked to return the survey within one week. The survey was handed out periodically throughout the day. There was a systematic attempt to get a wide variety of shoppers, both those that are employed and can not shop early hours, and those shoppers who are unemployed and can shop at any time throughout the day. 10 surveys were handed out on Sunday through Thursday with 25 surveys handed out on Friday and Saturday. More surveys were passed out on Friday and Saturday due to the fact that these two days show the highest customer count in this particular store. All of the surveys were administered during the first part of the month in an attempt to get all types of customers. By administering the survey the first part of the month, the results should include food Stamp customers, those who recieve government and pension checks once a month, and those with weekly, biweekly, and monthly paychecks. All of the shoppers were expected to complete the survey in 15 minutes or less. The shoppers were thanked for their participation and informed that the results of the test would be used to improve the store in order to create a better shopping experience for them.

Data Analysis

This was an experimental study of attitudes concerning the selection of a grocery store as the independent variable and test scores measuring those attitudes as the dependent variable. Reading and scoring of the survey was conducted by the researcher. The survey was hand scored. The groups were compared by descriptive statistics. The level of significance was set at .05. The z test was used to analyze the data statistically. The z test was administered on the 5 questions involving price in the first part of the survey. The rest of the survey was evaluated using percentages.

Chapter IV

RESULTS

The sample pool of the study was reduced somewhat (68 percent) because customers did not return the survey. Three surveys (3 percent) were rejected due to incomplete responses. The resulting sample included 29 participants. Table 5 contains the personal information of those who completed the survey.

Table 5

Descriptive Statistics
Sample Pool

Sex	Male	17%	Female	83%
Education	Less than High School	10%	High School	66%
	2 year College	07%	4 year College	14%
	Trade School	0%	other	03%
Age	under 20	07%	20-29	07%
	30-39	48%	40-49	10%
	50-59	07%	over 60	21%
Income			less than $10,000	07%
			$10,000-14,999	07%
			$15,000-19,999	17%
			$20,000-24,999	24%
			$25,000-29,999	24%
			$30,000-40,000	07%
			over $40,000	14%

Table 6 reveals how the sample pool responded when asked about SAVE-A-LOT's grocery prices.

Table 6
SAVE-A-LOT's Grocery Prices

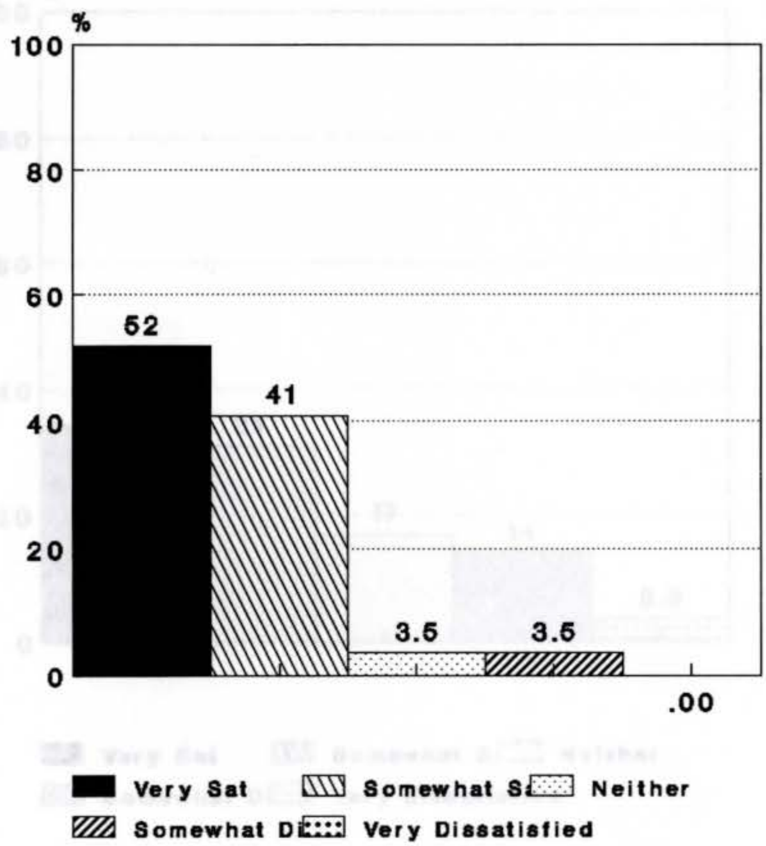


Table 7 reveals how the sample pool responded when asked about SAVE-A-LOT's meat prices.

Table 7

SAVE-A-LOT's Meat Prices

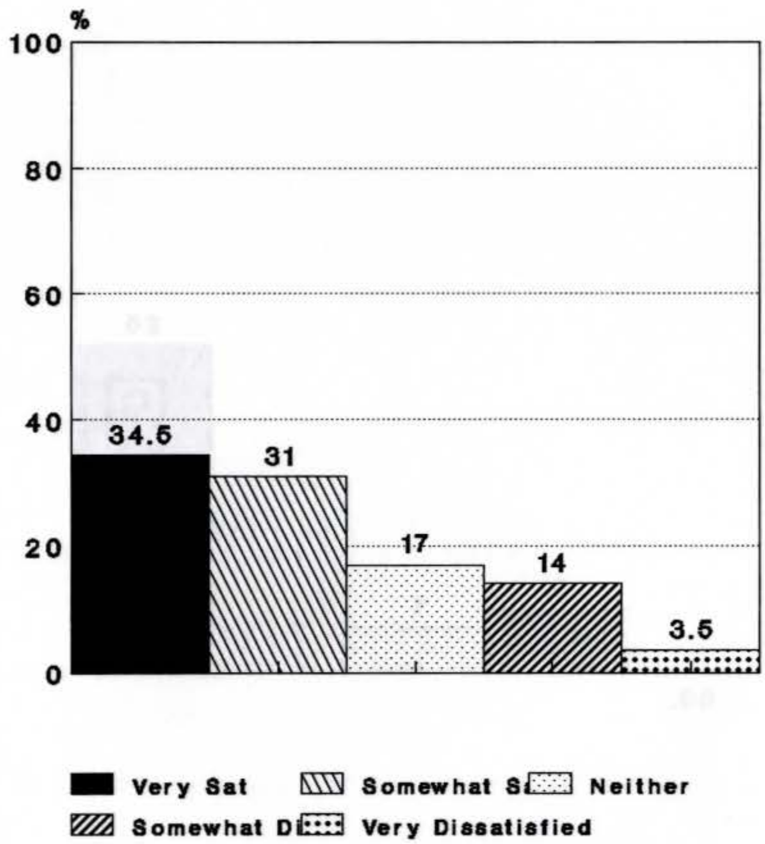


Table 8 reveals how the sample pool responded when asked about SAVE-A-LOT's produce prices.

Table 8

SAVE-A-LOT's Produce Prices

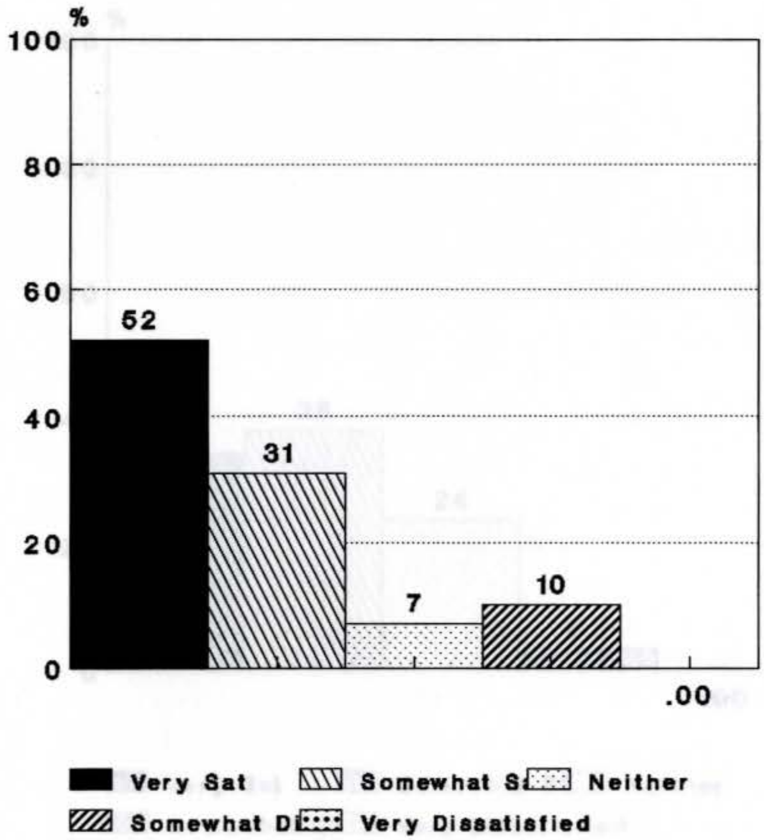


Table 9 reveals how the sample pool responded when asked about Save-A-Lot's frozen food prices.

Table 9

SAVE-A-LOT's Frozen Food Prices

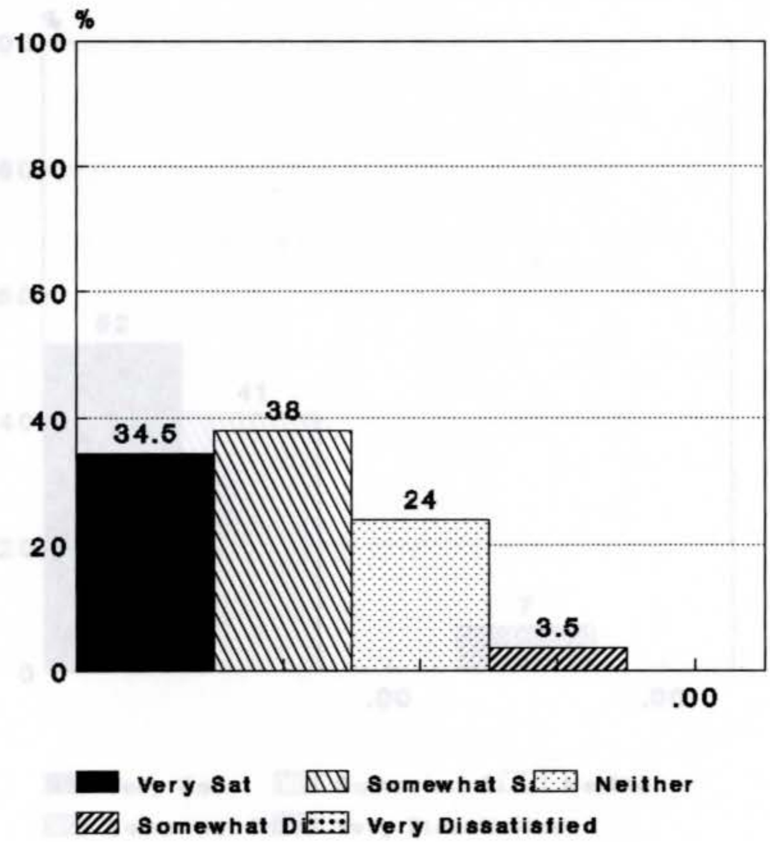
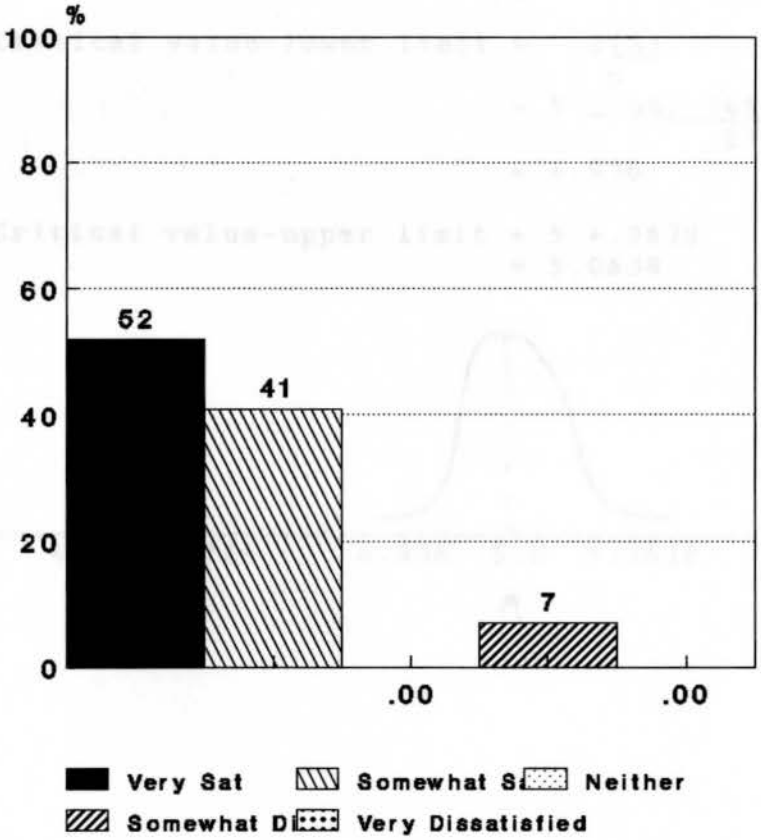


Table 10 reveals how the sample pool responded when asked about SAVE-A-LOT's dairy prices.

Table 10

SAVE-A-LOT's Dairy Prices



The Z-test was used to determine the critical values of μ. These critical values are shown in table 8.

Table 11

Critical Values of μ

$$\text{Critical value-lower limit} = -Z\frac{(S)}{n}$$

$$= 5-1.96\frac{(.9453)}{29}$$

$$= 4.936$$

$$\text{Critical value-upper limit} = 5 + .0638$$

$$= 5.0638$$

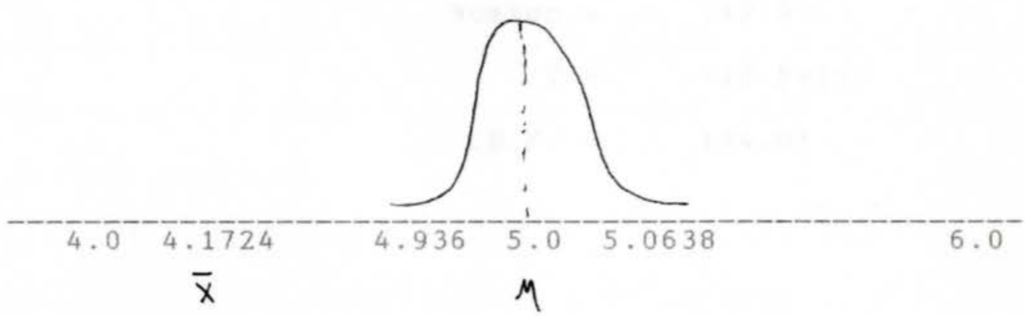


Table 12 reveals the mean vs. the hypothesized value. It also shows the standard deviation and the t-distribution.

Table 12

Mean vs. Hypothesized Value

Hypothesized Value =	5.0
Mean =	4.1724
Standard Deviation =	.9453
Standard Error =	.0785
Number =	145.0
T =	-10.5416
(D.F. =	144.0)

Chapter V

Discussion

The data presented in the previous chapter reveals some interesting information. This information has been arranged in tables and is explained as follows: Table 5 indicates that the predominate shopper at Save-A-Lot is female (83 percent). This high percentage of female respondents could have caused the sample to be biased. One possible explaination for the large number of female respondents could have been that males may have been more reluctant to participate. However, the high number of female respondents is consistant with statistics which indicate that females are the primary ones who do the grocery shopping.

The consumers who shop at Save-A-Lot appear to be primarily those with little or no college education as 76 percent had a high school education or less. The consumers who shop at Save-A-Lot stores are of all ages as indicated by the results of the survey. The consumers who shop at Save-A-Lot appear to be of a wide variety of income levels.

Table 6 indicates how the sample pool responded when asked about Save-A-Lot's grocery prices. The majority of those surveyed (52 percent) appear to be very satisfied with Save-A-Lots grocery prices. 93 percent of those surveyed were either very or at least somewhat satisified.

Table 7 indicates how the sample pool responded when asked about Save-A-Lot's meat prices. Only 34.5 percent were very satisfied in this area, while an equal number (34.5 percent) were less than somewhat satisified. The reason for the consumers being somwhat less satisified with the meat prices in this particular store is that this meat department does not follow Save-A-Lots pricing strategy on every item. The meat department in this particular store is leased out, and the meat manager tends to increase the prices above Save-A-Lots suggested retail price.

Table 8 indicates how the sample pool responded when asked about Save-A-Lot's produce prices. In this category 52 percent were very satisfied and 83 percent were very or somewhat satisified.

Table 9 indicates how the sample pool responded when asked about Save-A-Lot's frozen food prices. In this category only 34.5 percent were very satisfied, but 72.5 percent were either very or somewhat satisified.

Table 10 shows how the sample pool responded when asked about Save-A-Lots dairy prices. 52 percent were very satisified and 93 percent were either very or somewhat satisificd.

While it does appear that the most of the shoppers who shop at Save-A-Lot are satisfied with the majority of the prices, Table 11 indicates that the sample mean falls outside the critical upper and lower limits. This would indicate that there is not enough evidence to accept the hypothesis so the hypothesis should be rejected. Table 12 shows the mean versus the hypothisized value.

Summary

This was a study concerning the consumer selection process in selecting a grocery store. As can be seen by this study, there is a wide variety of criteria to be evaluated in selecting a grocery store. Different shoppers probably have many different reasons for selecting a store. While low-prices probably were a factor in selecting a store for Save-A-Lot shoppers it can not be concluded that this was their primary reason for selecting where to shop. While consumers have to be willing to make sacrifices to shop at a Save-A-Lot store, location, convenience or many other factors may have been a consideration in addition to price. These types of stores can not be profitable if they try to offer all of the services offered in traditional stores and still keep the low profit margins attained by the everyday low prices.

Limitations

The limitations of this study should be considered when discussing the research results. The subjects used in this study where selected on the basis of convenience. Many of the consumers declined to fill out the survey stating that it appeared to be too long and they did not have time. This may have created a source of bias.

The sample size was very small. Only 29 out of the 100 surveys passed out were usable. A larger sample size may have offered more accurate results.

The majority of the respondents who answered the survey were female and this may also have created a source of bias. There may be a great difference in the reasons for selecting a store between men and women.

Suggestions for Future Research

Future research would be desirable to confirm or deny the results of this study. A shorter survey with very carefully selected questions may achieve more conclusive results. An alternate instrument may also be desirable, such as personal interviews where the interviewer can probe may achieve more in depth and conclusive results.

In future research it would be desirable to encourage the shoppers to fill out the surveys before leaving the store. A greater response rate may be obtained if the consumers are not allowed to take the surveys home with them.

Another method which may be used to obtain a greater response rate may be to offer a coupon for savings on future grocery purchases. This coupon should only be obtainable for the shopper when turning in a completed survey.

APPENDIX A

Survey Questionnaire

HELP US TO BETTER SERVE YOU

This survey is being conducted by a graduate student at Lindenwood College. SAVE-A-LOT recognizes that customer satisfaction is the key to their success. The results of this survey will be shared with management to make improvements to better serve you. To ensure confidentiality please do not put your name on any of the survey forms. Thank you for your time. We look forward to serving you in the future.

PART I

Directions: The following set of statements are items which many shoppers believe to be important in their shopping experience. Please indicate how satisfied or dissatisfied you are with the SAVE-A-LOT store by making an X beside the appropriate response.

1. In regard to the cleanliness of the SAVE-A-LOT store I am:

Very Satisfied___ Somewhat Satisfied___ Neither Satisfied nor dissatisfied___

Somewhat dissatisfied___ Very dissatisfied___

2. In regard to being able to find the prices labled on all of the products I am:

Very Satisfied___ Somewhat Satisfied___ Neither Satisfied nor dissatisfied___

Somewhat dissatisfied___ Very dissatisfied___

3. In regard to SAVE-A-LOT's grocery prices I am:

Very Satisfied___ Somewhat Satisfied___ Neither Satisfied nor dissatisfied___

Somewhat dissatisfied___ Very dissatisfied___

4. In regard to the quality of SAVE-A-LOT's produce I am:

Very Satisfied___ Somewhat Satisfied___ Neither Satisfied nor dissatisfied___

Somewhat dissatisfied___ Very dissatisfied___

5. In regard to SAVE-A-LOT's produce prices I am:

Very Satisfied___ Somewhat Satisfied___ Neither Satisfied nor dissatisfied___

Somewhat dissatisfied___ Very dissatisfied___

6. In regard to the quality of SAVE-A-LOT's meat department I am:

Very Satisfied___ Somewhat Satisfied___ Neither Satisfied nor dissatisfied___

Somewhat dissatisfied___ Very dissatisfied___

7. In regard to SAVE-A-LOT's meat prices I am:

Very Satisfied___ Somewhat Satisfied___ Neither Satisfied nor dissatisfied___

Somewhat dissatisfied___ Very dissatisfied___

8. In regard to the level of inventory on the shelves at SAVE-A-LOT I am:

Very Satisfied___ Somewhat Satisfied___ Neither Satisfied nor dissatisfied___

Somewhat dissatisfied___ Very dissatisfied___

9. In regards to the wait at the check-out I am:

Very Satisfied___ Somewhat Satisfied___ Neither Satisfied nor dissatisfied___

Somewhat dissatisfied___ Very dissatisfied___

10. In regard to SAVE-A-LOT's location I am:

Very Satisfied___ Somewhat Satisfied___ Neither Satisfied nor dissatisfied___

Somewhat dissatisfied___ Very dissatisfied___

11. In regard to SAVE-A-LOT's hours I am:

Very Satisfied___ Somewhat Satisfied___ Neither Satisfied nor dissatisfied___

Somewhat dissatisfied___ Very dissatisfied___

12. In regard to SAVE-A-LOT's parking facilities I am:

Very Satisfied___ Somewhat Satisfied___ Neither Satisfied nor dissatisfied___

Somewhat dissatisfied___ Very dissatisfied___

13. In regard to SAVE-A-LOT's dairy prices I am:

Very Satisfied___	Somewhat Satisfied___	Neither Satisfied nor dissatisfied___
Somewhat dissatisfied___		Very dissatisfied___

14. In regard to SAVE-A-LOT's personnel I am:

Very Satisfied___	Somewhat Satisfied___	Neither Satisfied nor dissatisfied___
Somewhat dissatisfied___		Very dissatisfied___

15. In regard to the variety of products offered I am:

Very Satisfied___	Somewhat Satisfied___	Neither Satisfied nor dissatisfied___
Somewhat dissatisfied___		Very dissatisfied___

16. In regard to SAVE-A-LOT's aisles being clear of boxes I am:

Very Satisfied___	Somewhat Satisfied___	Neither Satisfied nor dissatisfied___
Somewhat dissatisfied___		Very dissatisfied___

17. In regard to SAVE-A-LOT's frozen food prices I am:

Very Satisfied___	Somewhat Satisfied___	Neither Satisfied nor dissatisfied___
Somewhat dissatisfied___		Very dissatisfied___

18. In regard to SAVE-A-LOT's atmosphere I am:

Very Satisfied___	Somewhat Satisfied___	Neither Satisfied nor dissatisfied___
Somewhat dissatisfied___		Very dissatisfied___

19. In regard to being able to purchase all of the items I need (one stop shopping) at SAVE-A-LOT I am:

Very Satisfied___	Somewhat Satisfied___	Neither Satisfied nor dissatisfied___
Somewhat dissatisfied___		Very dissatisfied___

20. In regard to the accuracy of the check-out clerks at SAVE-A-LOT I am:

Very Satisfied___	Somewhat Satisfied___	Neither Satisfied nor dissatisfied___
Somewhat dissatisfied___		Very dissatisfied___

21. In regard to the pleasantness of the check-out clerks at SAVE-A-LOT I am:

Very Satisfied___	Somewhat Satisfied___	Neither Satisfied nor dissatisfied___
Somewhat dissatisfied___		Very dissatisfied___

22. In regard to SAVE-A-LOT's services offered I am:

Very Satisfied___	Somewhat Satisfied___	Neither Satisfied nor dissatisfied___
Somewhat dissatisfied___		Very dissatisfied___

PART II

Directions: The following is a list of items which many shoppers find important in selecting a grocery store. Please place an X beside any and all items which are important to you in selecting a store.

Group I. Cleanliness
___Overall store cleanliness
___Aisles clear of boxes
___Clean floors
___Clean restrooms
___Neatness of stock work

Group II. Low Prices
___Low priced groceries
___Low priced meat
___Low priced produce
___Low priced frozen
___Low priced dairy

Group III. Quality Departments
___Good meat department
___Good produce department
___Good grocery department
___Good frozen food department
___Good dairy department

Group IV. Convenience.
___Convenient location
___Short wait at checkout
___Convenient hours
___Good variety of products (one-stop shopping)
___Good layout for shopping

Group V. Atmosphere.
___Friendly courteous clerks
___Helpful personell
___Pleasant decor
___Well labeled prices on products
___Not usually overcrowded

Part III.

Please rank the following items 1-5 in the order of which they are important to you in your decision of selecting a grocery store. 1 should be the most important.

___Cleanliness
___Low Prices
___Quality Departments
___Convenience
___Atmoshpere

PART IV

Directions: Please place an X beside the appropriate response.

1. Male___ Female___

2. Education:

Less than High School___	High School___	2 year College___	4 year College___

Trade School___ Other___

3. Age:

Under 20___ 20-29__ 30-39__ 40-49__ 50-59__ over 60__

4. Total household Income:

Less than $10,000___ $10,000-$14,999___ $15,000-$19,999___

$20,000-$24,999___ $25,000-$29,999___ $30,000-$40,000___

Over $40,000___

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