

Case 13

Spencer's Supermarket

Robert E. Stevens
David L. Loudon
Richard W. Coleman
Bruce E. Winston

Ron Spencer, owner and operator of Spencer's Supermarket, was wondering if he had made the right choice when he began using plastic grocery bags to sack customers' groceries. Like many grocery stores of the same size, Spencer's used paper bags for years but made the switch to plastic because of the significantly lower price. This reduction in cost meant a better bottom line (see Table C13.1 for income/expense information).

Located in a midsized southern city, Spencer's Supermarket is typical of small, independent, family-operated supermarkets. Spencer's customers consist of two segments: (1) senior citizens from the local neighborhood areas, and (2) students from the nearby college. Ron Spencer believes that while the store's friendly, neighborly atmo-

TABLE C13.1. Income and Expense for Retail Grocery Operations in the \$3 to \$5 Million Sales Range

Category	Percent of operations
Net sales	100.0
COGS	77.2
Gross profit	22.8
Operating expenses	21.6
Operating profit	1.20

Source: Morris Associates, 1996

sphere attracts some of the customer base, others come because of the convenient shopping. The store is within walking distance of several neighborhoods.

Recently, some of his student customers asked for paper bags instead of the plastic because they believed the plastic bags were bad for the environment. At first, Spencer simply noted their requests without giving it a great deal of thought. However, when customer requests persisted, Spencer wondered if the students' attitude might be part of a trend. Over the next few weeks, Ron noticed the growing number of environmental claims for products as diverse as trash bags and deodorants. He became curious and decided to learn more about this environmental issue. As noted in Table C13.1, operating profits are relatively low in supermarkets and plastic bags were less expensive than paper.

Ron learned that some of his student customers participated in a consumer survey dealing with environmental concerns. This involvement led students to request the paper bags. The students gave Ron a copy of other research results as well as the students' own findings from the consumer survey (Box C13.1).

BOX C13.1. Summary of Consumer Survey

Study method: Telephone interviews completed with 100 local residents. A student team comprised of eight members collected the data as part of a class project in a marketing research class.

Findings:

1. Forty-nine percent of the respondents stated they considered themselves environmentally concerned consumers (ECC).
2. They were typically married, white, and under forty-four years old, and had under \$30,000 annual income.
3. They reported that they were aware of environmental claims about products and looked for such information when buying.
4. These consumers also stated that they were willing to go out of their normal shopping routine and pay higher prices for "environmentally friendly" products.

Previous Research Findings

Academic research has examined environmental issues and the closely related issue of socially conscious consumers for almost twenty years. Much of the research on this topic has focused on identifying and more fully understanding the socially conscious consumer.

One of the first studies to consider the idea of the socially conscious consumer from a marketing perspective set out to determine which consumers comprised the market for products and services promoting social and/or environmental well-being. The hypothesis was that consumers exhibiting a high degree of social consciousness would differ significantly from consumers who did not. The study concluded that marketers could indeed segment the market based on consumer social consciousness. In addition, sociopsychological variables were better predictors of social consciousness than demographic variables.

Other research developed an "ecological concern index" that demonstrated the effect of various levels of ecological concern on consumers' cognitive maps for brands of laundry detergent. The study determined that ecologically concerned customers represented a viable market segment. The study determined that psychological rather than demographic attributes better defined this segment. The study showed that those who strongly believed that the actions of an individual consumer could make a difference also showed a greater concern for ecology.

A later study also showed that personality and attitude measures were better predictors of social consciousness than were demographic or socioeconomic attributes.

Socially and ecologically responsible consumers are distinguishable along both demographic and attitudinal variables with socially concerned consumers having a broader base of concerns than just the environment.

A New Dilemma

Ron decided to look further into the issue of which bag was better for the environment. Ron talked with Dr. Cynthia Green of the biology department at a nearby college. He explained to Dr. Green that he

used to pay between four and five cents per paper bag (\$40 to \$50 per 1,000) but that he could purchase plastic bags between 1.8 and 2.0 cents a bag (\$18 to \$20 per 1,000). This is a substantial cost reduction, although it might take more bags to carry a customer's purchase. Ron stated that the savings were significant to his store since the grocery industry operates on very low margins.

Ron told the professor of his surprise when the students complained about the negative environmental impact of plastic grocery bags. He went on to say that he was unsure exactly what the students meant by a negative environmental impact. Worse, he did not know if they were right or how to respond to such complaints. Dr. Green suggested that the students were probably referring to the fact that plastic bags are made from nonrenewable fossil fuels and degrade very slowly in landfills. In addition, the manufacturing production process for plastic bags adds to the pollution problem. She noted that plastic bags had become a "lightning rod" for people who wanted to be more environmentally conscious.

Just as Ron was about to conclude that the students were right in their concern over the negative environmental impact of plastic bags, Dr. Green described the environmental impact of using paper grocery bags. She explained that the brown Kraft paper bags used in most supermarkets are made of virgin paper, without contributions from recycled paper, and that the production of such paper pollutes the water, releases dioxins, contributes to acid rain, and consumes trees.

Dr. Green said that while a growing number of consumers have become convinced that plastic grocery bags are less environmentally friendly than paper bags, the opposite may be true. Dr. Green described the results of one research study on the entire range of environmental impacts of plastic and paper bags. This study found that from the time manufacturers extract the raw materials to the time bags are thrown away, a paper bag may actually damage the environment more than a plastic bag. Based on this type of life-cycle analysis, Dr. Green claimed that there was no overriding ecological reason to change from plastic to paper bags.

All of this information has put Ron in a quandary as to what strategy he should pursue.