

Low-income? No car? Expect to pay more for groceries

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Households located in poor neighborhoods pay more for the same items than people living in wealthy ones, according to a new study in the *Journal of Consumer Research*.

Author Debabrata Talukdar (Columbia University) examines the impact of what has been dubbed the "ghetto tax" on low-income individuals. His study found that the critical factor in how much a household spends on groceries is whether it has access to a car. "Arguably, as the bigger, more cost-efficient stores move out, the poor increasingly are likely to find themselves choosing between traveling farther to purchase nutritious, competitively priced groceries or paying inflated prices for low-quality, processed foods at corner stores," Talukdar writes.

According to the findings, those without access to cars—which are exclusively poor households, but include only 40 percent of poor households— pay higher prices for groceries than households with access to a car (whether wealthy or poor). Lacking mobility means consumers buy from the nearest neighborhood store rather than larger regional or national grocery chains, which have lower prices.

The author did a field study in Buffalo, New York, dividing up zip-code areas into richest, medium, and poorest neighborhood. He then used multiple sources to determine all the stores that sell grocery products in the 17 neighborhoods selected for the study. He then tracked prices of 15 items across 115 stores for three months, and found that, relative to the lowest available price in all neighborhoods, shoppers at the richest,

medium, and poorest neighborhoods pay on average 11 percent, 14 percent, and 22 percent more, respectively. The study also examined the behaviors, attitudes, and demographics of consumers by interviewing shoppers at the stores.

The author believes the poor aren't being intentionally slighted. "Stores' pricing and location decisions in most instances are guided by competitive factors rather than any bias against the poor or their neighborhoods," Talukdar writes.

Given the extreme inequality in access to affordable groceries, the author has suggestions for a more equitable solution. "One suggestion would be to explore the possibility of encouraging 'co-operative stores,' which spreads the ownership among a relatively large group of stakeholders within the poor community while at the same time increasing its operational economies of scale. Another possibility might be to consider joint ownership or management of franchises of selective stores in the poorest neighborhoods by the corporate owners of big grocery chains and poor residents."

Source: University of Chicago Press Journals

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