

How generalist stores can protect category sales when specialist merchants enter the market

April 21 2022, by Marilyn Stone



Credit: CC0 Public Domain

Researchers from Imperial College and KU Leuven published a new paper in the *Journal of Marketing* that examines the implications of

organic specialist store entry on the performance of generalist stores. The study, is authored by Stijn Maesen and Lien Lamey.

Niche markets such as [organic products](#) form an important source of growth for generalist grocery stores. However, generalists increasingly face competition from organic retailers expanding their [store](#) network. Thus, the growth of organic specialist retailers creates a need for generalist retailers to evolve their strategies. Using a rich store-level scanner dataset covering all SKUs from all major packaged food and beverage categories, the researchers study the impact of three organic stores' entries on organic product sales at 38 incumbent generalist grocery stores from five retailers in the Dutch market. Their study provides novel insights on strategies that reduce the harm for generalist stores.

Results indicate that category sales at the incumbent generalist store are about 3% lower after an organic store entry. Additionally, [price sensitivity](#) (i.e., the impact of price on sales) at incumbent generalist stores intensifies compared to pre-entry levels. Hence, unlike discounter store entries, incumbent stores are likely to experience a more price-sensitive consumer base after an organic store enters their area. However, the performance impact of specialist store entry on generalist incumbents can be mitigated by reducing the relative distinctiveness to the new entrant, unlike the entry of another generalist store.

Maesen says that "We identify three underlying dimensions, namely variety, price-quality, and authenticity, of a premium specialist's distinctiveness and propose that these dimensions can be influenced by the organic focus of the generalist incumbent." First, when faced with a premium organic store entrant, incumbents can reduce distinctiveness in terms of variety by offering a larger number of organic products. In addition, more frequent feature/display promotions can maximize

perceptions of organic product variety at generalist stores. Second, distinctiveness in terms of price-quality compared to the premium organic entrant can be reduced by increasing the focus on more premium organic products.

While generalist grocery retailers have stepped up their assortment of organic products, they tend to focus more on lower premium organic products. While this may appeal to price-sensitive consumers, an increased focus on more premium organic alternatives can help withstand the growing network of premium organic specialist retailers. Frequent and deep discounting on organic products can amplify the distinctiveness in terms of price-quality relative to the premium specialist store.

Third, distinctiveness in terms of authenticity can be reduced by adopting an organic specialist brand. Non-organic retailers can consider launching their own organic specialist brands using a stand-alone branding strategy. Lamey says that "Generalist stores in our study did not react to the organic store entrant, which may represent a missed opportunity. Increasing organic product variety of high-quality and authentic organic products at the generalist store after specialist entry could further reduce the specialist's distinctiveness and the generalist's sales losses."

More information: Stijn Maesen et al, EXPRESS: The Impact of Organic Specialist Store Entry on Category Performance at Incumbent Stores, *Journal of Marketing* (2022). [DOI: 10.1177/00222429221090983](https://doi.org/10.1177/00222429221090983)

Provided by American Marketing Association

Citation: How generalist stores can protect category sales when specialist merchants enter the market (2022, April 21) retrieved 15 May 2024 from <https://phys.org/news/2022-04-generalist-category-sales-specialist-merchants.html>

This document is subject to copyright. Apart from any fair dealing for the purpose of private study or research, no part may be reproduced without the written permission. The content is provided for information purposes only.