

**The Illusion of Choice in the Grocery Store:**  
**Grocery Stores and the Construction of Food Choice**

by

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## Abstract

Alternative food systems make consumers think about food as more than a commodity, as a social relation. Many of these systems, such as local, organic, non-GMO, farmers' markets, and Community Supported Agriculture (CSA), are positioned as supplements to the conscious consumer's diet rather than the one-stop shop to purchase all of their food. These alternatives to traditional food attempt to achieve social change from the periphery, rather than at the core, leaving them with limited ability to impact systemic social change. The core of food systems, on the contrary, has access to millions of consumers and the potential to create systemic change. This core is the market between food producers and food consumers: the grocery store. This research addresses grocery store marketing regulations, standards, and practices because I wanted to learn what role grocery stores have in constructing consumer food choices so that grocery stores can be held responsible and seen as an intervention point for the increasing rates of diet-related public health issues in low-income populations. This thesis finds that there is a lack of public regulations and the dominance of private industry standards and practices that govern grocery industry marketing of processed, shelf-stable foods over whole, fresh foods. Understanding standards and practices of food retailers reveals how neoliberal discourse in our economic, social, and political systems has failed public institutions and the private industry, leading to the lack of free-market competition and consumers' personal choice and creating health disparities between high- and low-income Americans. These social problems created by food retailers demonstrate how *individual* choice is constrained by income, purchasing power, and the illusion that the decisions we make in the grocery store are meaningful and our own. By uncovering the *systemic* construction of food choice, we can better challenge grocery retailers to identify socially responsible areas for change and pathways forward.

Keywords: grocery store; neoliberalism; trade promotions; food choice; predatory practices; health disparities; diet-related disease; public health

## Chapter One: Introduction

Alternative or local food movements ... heard of them? Maybe you're thinking about alternatives such as farmers' markets, community-supported agriculture (CSAs), or urban gardening. Or maybe some other words come to mind such as "organic," "natural," and "local." Perhaps you think of them more generally as ways to change current food system practices. In whatever came to mind in response to the idea of food movements, did you consider the role of grocery stores?

Whereas many of the alternative food movements listed above are supplements to diets of many shoppers, grocery stores serve as the primary key to a person's food access, where a one-stop shopping experience is possible. Ninety-one percent of foodstore sales occur at grocery stores and supermarkets, with the remaining 5.5 percent sold at convenience stores and 3.4 percent at specialty food stores (ERS 2016). Grocery stores are one of the only places that almost every person in the country must go to with some regularity to get food. In 2016 alone, American shoppers on average made 1.6 trips per week to the grocery store, spending an average \$107 per week (FMI 2016, 6). Since the overwhelming majority of food purchased is purchased at grocery stores, and we know that shoppers go there at least once a week, how can we take advantage of the position grocery stores have in determining the food choices of everyday consumers?

Research is lacking on the role grocery stores have in contributing to diet-related disease in the US. In addition, grocery stores are an ideal place to understand inequality of food choice, and they have the potential to serve as an intervention point for addressing the food-related public health issues because of their role in constructing food choice. Since every person must go to the grocery store with some sort of regularity, revealing the reach these stores have in the construction of food choice is important for understanding how they are contributing to social

problems in our food system. Social problems such as inequality of power in our food chain, inequality of choice, and the privilege of health are of particular concern.

This research addresses grocery store marketing regulations, standards, and practices because I wanted to learn what role grocery stores have in constructing consumer food choices so that grocery stores can be held responsible and seen as an intervention point for the increasing rates of diet-related public health issues in low-income populations. By “food choice” I mean both the individual choice to purchase food in the store, but also the variety of food—the appearance of abundant choice. By “constructing” I mean the ways in which marketing and advertising standards and practices intentionally influence what foods we see on the shelf and what foods we are psychologically more likely to buy based on these practices. Throughout this paper I will use the terms “grocery store,” “grocery retailer,” and “grocery industry” synonymously to mean any chain grocery store. I refer generally to the trends that apply to larger chain stores, but I found that many of their practices also apply to smaller, regional stores.

The next chapter provides an overview of why this topic is important by discussing neoliberal theory, the social problems it has caused in the food system, the research problem, and the research questions. Chapter Three details how I went about my research through discussion of methodology and methods. Chapter Four discusses the findings from my two research questions, why these findings matter, and how to think about them in the larger food systems discourse. Chapter Five concludes the thesis.

## **Chapter Two: Background and Significance**

This chapter will provide a conceptual framework for my research, the social problems it addresses, and the research questions it raises. First, it will discuss how neoliberal principles have changed the nature of social and economic systems in the United States, which has shaped the many inequalities in our food system. One of these inequalities is the power inequity between grocery retailers and consumers. Second, it will seek to uncover the social justice concerns of this power imbalance and reveal the need for research that better characterizes how food gets from the farmer to the consumer. This will allow for a better understanding of the role grocery stores have in the construction of food choice. Finally, it will provide an overview of the research questions raised and why they are the right questions to ask.

### **Neoliberalism's Socioeconomic Order**

Neoliberalism is a powerful organizing ideology for social, cultural, and economic relationships. It helps us understand our preference in America of self-sufficiency and individual choice and, thus, serves as an important conceptual approach for this research. Neoliberalism, applied as a conceptual approach in this context, focuses analysis on market-based solutions to social problems caused by the grocery industry's predatory practices. Neoliberalism is a political and economic theory that is typically characterized by "free-market policies that encourage private enterprise and consumer choice, reward personal responsibility and entrepreneurial initiative," and undermine government intervention and regulation (Chomsky 1999, 7). Largely a product of deregulation measures written into law in the 1980s, neoliberalism has created an inverse relationship between corporations' colossal wealth and power and the average consumer's miniscule purchasing power.



In the United States, the discourse of neoliberalism, which emphasizes free-market, consumer-based relationships, has colonized three major parts of life: economic, social and cultural, and political (Figuroa and Alkon 2017, 208). Neoliberalism's colonization of these parts of life has created the ideal environment for massive food retailers to seize ultimate authority over food choice.

Neoliberalism's colonization of our economic system has created a massive income-wealth gap between the super-rich and middle- and lower-income Americans. The income-wealth gap is exemplified by the wage stagnation that has occurred for middle- and low-income Americans since the 1970s (Stone et al. 2016). Wage stagnation, and the correlated income-wealth gap, is the direct result of neoliberal policies and practices such as the slashing of corporate tax rates, the influence of the private sector in national and international policies and regulations, the decline in workers' collective bargaining power, and the squeezing of wages of middle- to low-income workers to increase CEO and executive pay and shareholder pockets (Oxfam 2017, 13).

Neoliberalism's colonization of our social and cultural life is seen through policing the behaviors of individuals (Guthman 2009, 1114). We structure our institutions and policies to prefer neoliberal principles such as individualism, self-sufficiency, and deserving versus undeserving. This means we reward those who are individual and self-sufficient, deeming them as "deserving" or worthy of positive recognition and support, and demonize those who are dependent and unable to fully self-sustain. This frames social problems, such as poverty, as individual flaws, rather than societal or systemic oppression and reinforces the neoliberal principle that an individual's worth to society is in their own contribution of work and market participation. This emphasis on individual contributions and market participation creates a

system of othering that inevitably demonizes the choices and behaviors of certain individuals (those who participate less in the market) over others (those who can participate in the market more because they have the social and economic means to do so). Even worse, this othering isn't just related to choices and behaviors, but it becomes characterized through race, ethnicity, and social class.

The colonization of our social life by neoliberalism has implications for social acceptance, political recognition, and representation. Because we emphasize market participation as the key to social citizenship, we elevate the market over other forms of informed engagement as the best place to address social problems that are faced by society. Therefore, policies that are made for low-income people are some of the most contentious and partisan policies of our time. These policies are written in a way that makes the application and participation process for public assistance programs intentionally burdensome. They also impose a traditional and privileged way of life onto low-income people experiencing multiple systemic barriers to living in the ways the policies require. For example, safety net policies such as Temporary Assistance for Needy Families (TANF) or Supplemental Nutrition Assistance Program (SNAP) structure rules around the nuclear family, requirements to establish paternity if you're a single-mother, punishment for noncompliance with the rules, work requirements that don't consider personal situations, and the list goes on. Due to the structuring of programs to help low-income people and the contentious nature of the policies, the people who are the worst disciplined by neoliberalism are low-income. On the flipside of this, those who have the most opportunity by virtue of neoliberalism are the super-rich or massive corporations that are further supported by neoliberal social and economic policy and practice.

The unequal treatment economically, socially, and politically of individuals and corporations under neoliberalism enables understanding of how social citizenship, income, and personal choice are intertwined to determine an individual's perceived worth to society. On the flipside of the relationships that determine an individual's worth are the relationships among deregulation, private industry profit motives, and predatory practices that are intertwined to provide a foundation for a grocery store's ability to construct food choices. Since people, as consumers in a neoliberal context, are expected to exercise food system agency and participation through shopping, it is important to consider the conditions that are created around shopping to encourage individuals to purchase certain foods instead of others, therefore structuring choice. Because low-income people are so disciplined by neoliberalism, it proves essential to consider and uncover the freedoms it grants to corporations who determine the choices we make about our most basic necessity: food.

### **The Food System Economy, Inequality of Choice, and Privilege of Health**

The food system, due to neoliberalism's colonization of economic, social, and political life, has formed an hourglass economy where corporations' power has determined the food choices of billions of people, leading to social problems such as the inequality in food choice and the privilege of health.

On one end of the hourglass, there are millions of farmers who produce food to sell. On the other end there are billions consumers who buy the food. In the middle are a dozen or more retail companies that dominate the control of how food gets from the farmers to the consumers (Caiazza and Volpe 2012, 924). In the most recent report ranking the top 100 retailers in the US, seven of the top ten retailers (Wal-Mart Stores, The Kroger Co., Costco, Walgreens, Target, CVS Caremark, Safeway) included stores that sell groceries (NRF 2014). This dominance of grocery



retailers means that a few corporations in the middle of the hourglass have gained extraordinary power in determining the food system economy and choices, which has direct implications for both farmers and consumers (Caiazza and Volpe 2012, 924). To better understand how exactly food gets from the farmer to the consumer, it is important to deconstruct the relationship between food manufacturers and food retailers. Additionally, to better understand how certain consumers are impacted more than others by

the power of retailers over food choice it is important to understand the manufacturer-retailer relationship in the context of income inequality.

Low-income consumers are particularly vulnerable to the power grocery retailers have over food choices due to purchasing power and the social determinants of health. Although lower-income households spend less on food than higher-income households, lower-income households spend a larger share of their income on food than higher-income households (Tuttle and Kuhns 2016). Because of this, lower-income households tend to search for lower cost foods to buy, making them more vulnerable than higher-income shoppers to retailer promotions which focus overwhelmingly on processed foods. When one has limited purchasing power, preference is given to high calories for low costs, sacrificing the health and quality of food purchased and consumed.

Low-income communities are disproportionately impacted by obesity and diet-related disease compared with other income brackets (Satia 2009, 6). Diet-related disease, such as obesity, diabetes, hypertension, or congestive heart failure is preventable and/or controllable via healthy diet and exercise, but these solutions typically come at a cost that low-income people cannot bear (Kakinami, Gauvin, Barnett, Paradis 2014, 558). That cost is both the literal price of

whole, fresh foods and exercise-related activities as well as the cost of time, knowledge, and resources required to eat healthily and exercise (ibid., 558). Correlating purchasing power with the ability to maintain a regular healthy diet reveals how income inequality relates to healthy food consumption, preparation, and storage. These patterns “particularly in low-income groups ... create pressure to purchase the foods lowest in cost, which makes processed, calorie-dense foods more attractive” (Andreyeva, Long, and Brownell 2010, 221).

Connecting back to neoliberalism, the emphasis on consumer choice inevitably means that some consumers have more power than others in deciding what food to buy with their money. This purchasing power not only allows the freedom to buy more expensive whole, fresh foods, but enables the privilege of health. Therefore, those with less purchasing power in relation to food choice are particularly vulnerable to the influence of food retailers, leading to food choice to not be truly *individual*. This illusion of choice disproportionately impacts the health of low-income individuals due to neoliberal principles influencing our social systems: We demonize low-income people’s food choices as personal failures, as *individual*, and therefore we don’t challenge the *systemic* implication of how food choice is constructed differently for people of different income brackets. This is where it becomes necessary to better understand the role grocery stores have in this relationship.

### **Why the Grocery Industry?**

Grocery stores are an ideal place to understand inequality of food choice and have the potential to serve as an intervention point for addressing food-related public health issues because of their role in constructing food choice. Every person must go to the grocery store with some sort of regularity, revealing the reach these stores have. It is important to understand what their current role is and the potential role they could have in addressing food-related public

health issues disproportionately experienced by low-income people. To be able to consider grocery stores as a food system intervention point, we need to understand how they construct food choice in the grocery store.

Research is lacking on the roles of grocery stores in relation to food consumption and food choices (Treuhaft and Karpyn 2010, 5). Instead, current discourse focuses on food access. Research has shown that simply having access to a grocery store does not change the consumption patterns low-income consumers (Allcott, Diamond, and Dube 2017). And existing evidence supports the notion that to change corporate behavior, there needs to be a surplus value or a profit motive (Holt-Gimenez 2017, 62). In the case of grocery stores, encouragement to sell and advertise low-price healthy foods and to address the importance of food as a public health intervention needs more research (Guthman 2009, 1114).

Since neoliberal principles dominate our markets and governance, creating gaps in social services to our most vulnerable populations, it is important to consider how corporations can become more socially responsible. In a review of the top 100 retailers' corporate social responsibility (CSR) pledges, none identified public health as a priority (Lee, Fairhurst, and Wesley 2009, 152). Interestingly, "for those retailers who were involved in CSR programs, the majority mentioned the actual amount of financial contributions made to charitable organizations" rather than describing with detail the types of practices they were engaging in a socially responsible way (ibid., 152). In other words, it is easier for them to donate money to groups and claim to be supportive of charitable causes without actually doing anything themselves to impact social change in their own store. Since such a small share of businesses, and more specifically retailers, control how food gets from farmer to consumer, rethinking social responsibility in corporate practices is necessary for social change in the grocery retail industry.

This social change will require redistributing the power imbalance of the hourglass and holding the private market responsible for their role in the social problem of inequality of food choice (Mares and Alkon 2011, 72).

### **Research Questions**

This research addresses grocery store marketing regulations, standards, and practices because I want to learn what role grocery stores have in constructing consumer food choices so that grocery stores can be held responsible and seen as an intervention point for the increasing rates of diet-related public health issues among low-income populations. My central research question asks: What roles do grocery stores have in the construction of food choice for consumers? To better understand how grocery retailers determine what passes through the hourglass and their role in facilitating the relationship between production and consumption, it is essential to understand the decision-making process behind the marketing strategies of grocery stores.

To accomplish this, my first constitutive question asks: What are the public regulations and private industry standards that limit or allow grocery stores to source, price, and advertise food? This question enables me to understand what policies and standards govern how grocery stores construct the food choices that end up on stores shelves that consumers do not know about or even question.

My second constitutive question asks: What are the practices of grocery stores that are intended to influence food choices of consumers? This question enables me to understand how food is priced, advertised, and placed in the store to influence consumer choice.

I am interested in complicating the idea of food choice to better understand how *individual* food choices truly are. This will enable me to challenge one of the central principles of neoliberalism that has colonized social, political, and economic life: personal choice. When

the most basic need for a human being is food, and the most basic place to get food is a grocery store, how can we uncover the predatory practices of grocery stores and hold them responsible for their role in constructing inequality of food choice?

The food system's hourglass economy has created power imbalances between grocery stores and consumers, especially low-income consumers who have less purchasing power. Because every single person must go to the grocery store with some sort of regularity to buy food, it is important to consider the role grocery stores have in constructing food choices for consumers. By considering the framework of neoliberalism, we can better uncover the failure of the system and the social injustices it causes. This will enable me to identify ways we can hold the grocery industry responsible for addressing diet-related public health issues and how to engage them in creating positive, social change. The next section on methodology and methods will discuss how I approached my research to best answer my questions.



## Chapter Three: Methodology and Methods

This chapter explains the methodology and methods used for answering my research questions. First, in the methodology section, I discuss my positionality and how it shaped my perspectives coming into this research. Then, I provide an overview of my methodology and how I approached my research. Finally, I describe the methods used to answer each of my research questions.

### Methodology

Through my studies and career as a welfare policy researcher, I have grown increasingly uncomfortable with both individuals and systems that lack the ability to empathize and acknowledge the “other” (read: poor people). I have realized that as a safety-net researcher, phrases such as “personal responsibility” or “self-sufficiency” have come to mean “disregard systemic oppression” and “it’s their fault.” In our neoliberal system, which emphasizes individualism, especially related to personal choice, I am interested in complicating this notion to better understand how *individual* food choices truly are. This will enable me to challenge the central principles of neoliberalism, which have colonized social, political, and economic life. When the most basic need for a human being is food and the most basic place to get food is a grocery store, how can we uncover the predatory practices of grocery stores and hold them responsible for their role in constructing inequality of food choice?

My central research question asked, “What role do grocery stores have in the construction of food choice for low-income consumers?” To answer this question, I used the methodology of critical inquiry, which seeks to “explain what is wrong with current social structures and processes and identify the actors to change it” and “provide both clear norms for criticism and achievable practical goals for social transformation” (Terstappen, Hanson, and McLaughlin

2013, 22). Since the nature of my topic is exploratory, I inductively approached the work to find regulations and standards on how grocery stores select and advertise foods and the trends in practices they are participating in to be able to form the next steps of my research. The overall methodological approach I used to answer this research question is a scoping review. A scoping review is a research methodology that allows the researcher to “map key concepts and the state of the existing research rather than to synthesize particular results to answer specific research questions” (ibid., 22). This approach appropriately fit my exploratory research questions and allowed me to explore key concepts such as neoliberalism, inequality, and food choice and better understand how they interact.

## **Methods**

My first constitutive research question asked: What are the public regulations and private industry standards that limit or allow grocery stores to market food? By using the methodology of critical inquiry, I analyzed the key concepts of pricing, advertising, and sourcing in relation to public regulations and private industry standards. I focused primarily on national-level public regulations and trends in private industry standards, which enabled me to see what governs grocery store construction of food choice in larger grocery retail chains. Some of the government regulations researched were based in state or local government, so I briefly reviewed those in addition to national-level regulations. I gathered public regulations and private industry standards documents to analyze the pricing, advertising, and sourcing policies that exist. This information helped explain what happens behind the scenes in grocery stores that customers don't know about. To find federal policies relevant to consumer protections in grocery stores, I looked at the federal register, government website documents, and scholarly literature. To find relevant industry standards, I looked at the Food Marketing Institute documents and resources for grocery

stores and grey literature. I kept track of data sources by saving them to specific folders labeled with their research topic and by synthesizing themes in a scoping review. In addition to these organizational strategies, I annotated each article I read by theme into a database and made detailed margin comments in all sources I read. To answer what the public regulations and private industry standards are that limit or allow grocery stores to market food, I read relevant public policies and private industry standards to understand exactly what rules grocery stores are required to follow to comply with current policies and industry standards.

My second constitutive research question asked: What are the practices of grocery store food pricing and advertising that impact food choice? By using critical inquiry as my analytical framework, I addressed key concepts related to my social problem and predatory practices that grocery stores use to influence food choice. The overall trends in food pricing, advertising, and placement trends in grocery stores were my unit of analysis for this research question. The scope of this question included the general trends in practices of grocery stores that influence consumer choice, without focusing on any one grocery store. This revealed how practices of grocery stores impact all consumers, no matter their income, but disproportionately impact low-income consumers. I collected research articles from both scholarly and grey literature that discuss different practices grocery stores are using to influence choice, including key topics such as store layout and product placement, advertising, and loyalty programs. Using the same approaches as in my first question, I kept track of data sources by saving them to specific folders labeled with their research questions and then analyzed sources in a scoping review. In addition to these organizational strategies, I annotated each article I read by theme into a database and made detailed margin comments in all sources that I read. To answer this question, I read and

compared the different practices of grocery stores to inductively determine common trends and to understand how grocery stores condition food choices.

Grocery stores are an ideal place to understand inequality of choice and have the potential to serve as an intervention point—through grocery industry construction of food choices—to address the food-related public health issues that many low-income communities face. The results of my research are found in the next section. First I discuss the public regulations and private industry standards that govern grocery store construction of food choices and then I discuss the practices grocery stores use to influence food choice.

## **Chapter Four: Results, Analysis, and Contribution**

This research focuses on the role of grocery stores in constructing consumer food choices. The social problem it addresses is inequality, the illusion of choice, and public health. Grocery stores can more effectively serve as an intervention point—through the construction of food choices—to address food-related public health issues that many low-income communities face. Research is lacking on the roles of grocery stores in relation to food consumption and food choices. Since neoliberal principles dominate our markets and governance and create gaps in social services to our most vulnerable populations, it is important to consider how grocery retailers can become more socially responsible.

To address this problem, my central research question asked: What roles do grocery stores have in the construction of food choice for low-income consumers? To better understand how grocery retailers influence what passes through the hourglass and what their role is in facilitating the relationship between production and consumption, it is essential to answer how grocery stores construct food choices for consumers. To accomplish this, my first constitutive question asked: What are the public regulations and private industry standards that limit or allow grocery stores to market food? To answer this, I reveal how stores construct the food choices that end up on the shelves through regulations and standards of grocery stores that consumers do not know about or even question. My second constitutive question asked: What are the practices of grocery stores that are intended to directly influence food choices of consumers? To answer this, I reviewed the types of pricing and advertising stores do to appeal to consumers and linked their practices to the inequality of food choice.

This chapter reviews the results and analysis from each of my research questions in detail. It then discusses what this work contributes to the conversation on food, consumer choice,

and public health. Key findings from this chapter include the historical shifts in the grocery industry that led to what it is today, the limits of public regulation, the power of trade fees and category captains, leverage of the retailer to control manufacturers, the historical shifts in the grocery industry that have led to the accumulation of retailer power, predatory product advertising and placement, and privacy concerns on retailer tracking of consumers. These key findings connect to broader analytical points in *The Power that Constructs the Illusion of Choice* section related to power, choice, and the failure of the market. Finally, the *Implications for the People* section discusses the social injustices caused by this system and the policies it necessitates.

### **Historical Shifts in the Grocery Industry**

The 1990s marked a major shift in the grocery industry in the United States, which led to the concentration in the middle of the hourglass that represents our food system economy today. Before the 1990s, the grocery industry relied on standardized, unconcentrated industry diversity, where customer loyalty drove profits. Smaller, specialized stores such as butchers or bakeries used to be one of the many stops shoppers would make when getting their groceries. Once more households had televisions, manufacturers began to rely heavily on TV advertising and mass marketing approaches to attract customers to purchase their products. Because of this, local retailers saw a demand for manufacturer products and wanted to offer them in their stores. Traditional grocery stores began to expand, offering more manufacturer products with brand loyalty and introducing new departments to their stores such as bakeries or delis (Weitz and Brett Whitfield 2006, 64).

This technique, emerging in the early '90s, sought to use micro-marketing techniques such as private brands and store promotions to attract customers to the store rather than to the

product. By introducing new departments to the store, retailers were able to offer bakery or deli items in the grocery store at lower prices than specialized grocers. These lower-priced retailers in the food market weren't just the expanding traditional grocers, but included "alternative store formats," such as pharmacies, convenience stores, and supermarket retailers, that began selling food items in their stores. This produced a "one-stop" shopping format, where consumers could buy all their household items and foodstuffs in the same store (Popkowski Leszczyc, Sinha, and Sahgal 2004, 85). The traditional grocery industry began to see a decline in profits and as a result, retailer mergers and acquisitions began in the mid-to-late '90s. These mergers included horizontal mergers, in which retailers acquired other retailers, and vertical mergers, in which retailers began to make deals with manufacturers to increase profits (Guptill and Wilkins 2002, 41). The horizontal mergers allowed retailers to grow both in size and wealth, and vertical mergers gave birth to the retailer-manufacturer industry standards and practices we see today.

This concentration of ownership produced the center of the hourglass in our food system, where food pricing, promotion, and placement are all meticulously constructed to determine a consumer's food choice. Below I will detail the public regulations, private industry standards, and industry practices that have determined the food choices in our country and the larger impacts they have had on the private market, consumers, and our food system.

### **Public Regulations and Private Industry Standards that Construct Food Choice**

My first research question asked: What are the public regulations and private industry standards that limit or allow grocery stores to market food? This relates to my central research question by addressing the policies that condition the construction of food choice in the grocery store. To answer this question, I reviewed scholarly and grey literature and the federal registrar to better understand the public regulations and private industry standards that grocery retailers work within to construct food choice.

Key findings from this section include the limits of public regulation, the power of trade fees and category captains, and leverage of the retailer to control manufacturers. These key findings connect to broader analytical points in the section on The Power that Constructs the Illusion of Choice related to power, choice, and the failure of the market.

#### *Marketing and Advertising: Public Regulation*

Public regulation of grocery retailer food marketing is limited both federally and at the state level, but it is woven into complex layers of bureaucracy that make it difficult to find and understand. The main federal agency that works to protect consumers from predatory business practices is the Federal Trade Commission (FTC). The FTC works “to protect consumers by preventing anticompetitive, deceptive, and unfair business practices, enhancing informed consumer choice and public understanding of the competitive process, and accomplishing this without unduly burdening legitimate business activity” (FTC n.d.). Taken directly from the FTC website, that mission statement reflects neoliberal principles: focusing on protection and empowerment of the consumer while not burdening business.

In the case of the grocery industry, the FTC sides more heavily on the “without unduly burdening business” by imposing a single policy on the regulation of their marketing practices.



The main policy that regulates food retail marketing and advertising practices is The Food Retail Store Advertising and Marketing Practices Rule or the “Unavailability rule,” which “prohibits retail food stores [1] from advertising prices for food, grocery products, or other merchandise unless those stores have the advertised products in stock and readily available at, or below, the advertised prices” (FTC 2014, 70053). In other words, the only policy the FTC imposes on grocery retail advertising and marketing is the requirement that they are true to their advertised prices. This policy was enacted because research found that retail food stores were advertising foods at one price to draw consumers into stores but were either out of the advertised food item or were actually selling it above the advertised price (ibid., 70053).

After searching for any additional federal policies on food retailer advertising, I noticed that the majority of policies apply to food manufacturers, not food retailers (Rules and Regulations 2015, 71686; Rules and Regulations 2014, 70053). Even researching regulations on the interactions between retailers and manufacturers produced no results. Unless vertically integrated (i.e., when the manufacturer and retailer are the same), retailers, in the eyes of public regulation, have wide-open reign on how they market and advertise foods, both outside of and inside of the grocery store.

*Pricing Presentation: Public Regulation or Private Industry Standard?*

In addition to the one federal policy on food advertising and marketing, state and local governments set regulations on how grocery retailers advertise the price of food through a set of policies called “weights and measures.” Weights and measures are the ways in which food retailers are allowed to advertise the price of and measure units of food items, whether that is fresh, whole foods, meats and dairy, or packaged goods. Although weights and measures are required on many food categories in the store, a consumer may notice weights and measures the

most on the pricing stickers of the produce category of the store, typically advertised as the price per pound of fruit or vegetables. These policies were put into place to avoid consumer deception of how food items are priced in the store and provide clear labeling of how each item is measured and priced. Weights and measures regulations are adopted on an individual state basis, however, which means there are no national policies regulating how retailers are advertising the price of food units in the store. Inevitably, this results in many states not even establishing regulations on weights and measures, leaving it to private industry standards to determine how it is done (NIST 2017).

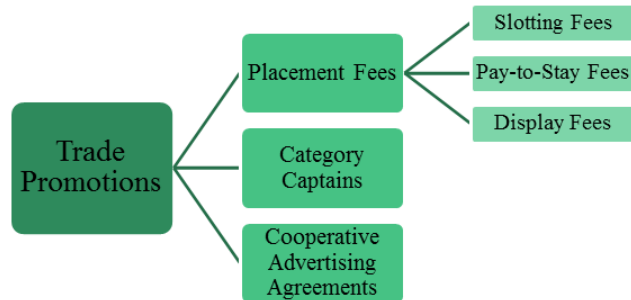
There is a federal office (US Department of Commerce, National Institute of Standards and Technology, Physical Measurement Laboratory, Office of Weights and Measures) that collects state information on these policies in partnership with a nonprofit called the National Conference on Weights and Measures, which is an “association of state and local weights and measures officials, federal agencies, manufacturers, retailers and consumers” (NIST 2017; NCWM 2017). Interestingly enough, the published document presenting the regulations and standards for weights and measures says that they are “intended to be standards rather than just guidelines” meaning that the national guidelines they set are not actual policies and instead are suggestions on how states should operate or structure their weights and measures, if at all (NCWM 2016, iii). This nudging from the federal office creates the appearance of formal policy where there is none, leaving it to state governments to establish policies or the private industry to voluntarily adopt the guidelines as standards. This truly reveals the irony behind these policies. Weights and measures standards are put in place to avoid consumer deception, yet the ways in which they are established and presented are determined by a set of unofficial guidelines,

therefore, in some cases, leaving the power of pricing presentation in the grocery store to the profit seeker.

Given the lack of public regulation on grocery store pricing and advertising of food, the private sector has established a set of industry standards that are typical of how grocery retailers construct food choice in the store.

*Fees, Captains, and Agreements: Private Industry Standards*

The private sector uses several industry standards to manage the relationship between food manufacturers and food retailers in determining how food is marketed to consumers in grocery stores. The major industry standards used by retailers when constructing food choice in



the store include trade fees or promotion in the forms of placement fees, category captains, and cooperative advertising.

Interestingly, trade promotions only apply to the processed food sections of the grocery store or the inner-aisle categories of food such as cereal, sodas, shelf-stable boxed foods, and condiments. Therefore, food categories including produce, meat, and dairy or food found in the outer-aisles of the store are not included in the marketing and advertising industry standards discussed in this section.

Trade fees or promotions are the main standard used by retailers to gain leverage over manufacturers and therefore create a system that prefers massive profits over variety and healthfulness of food choices in the grocery store. A trade promotion is an all-encompassing term that refers to the behind-the-scenes standards that retailers use in relationship with manufacturers to construct food choices in the grocery store. Trade fees account for 15-20

percent of food manufacturer overall budgets (Riulin 2016, 23). Considering the revenue of the top three food and drink manufacturers in 2017 (Nestlé, PepsiCo, Coca-Cola) was nearly \$200 billion, you can imagine how huge their marketing budgets are (McGrath 2017). Although some of this information is available in their annual reports, it was difficult to piece together what buckets of spending they actually consider their entire marketing budget (The PepsiCo annual report for 2016, for example, listed \$4.2 billion as their marketing spending but followed with numerous other classifications of marketing or advertising that were treated separate of this number). Regardless of the actual amount spent by manufacturers, trade fees play a billions-of-dollars role in determining how a manufacturer gets their products on a grocery store shelf.

Trade promotion strategies include three major types: placement fees, which include display fees, slotting fees, and pay-to-stay fees; category captains; and cooperative marketing agreements (Riulin 2016, 17). Each is discussed in what follows.

### Placement Fees

Placement fees are fees that grocery retailers impose on food manufacturers of products on the inner-aisles of the grocery store. Their name is intuitive of their function: they are fees manufacturers pay retailers to place their product in the store, keep it in the store, and display it in the store. It is very difficult to find accurate data on the amounts that manufacturers pay for each of the different placement fees due to unwillingness to share this information. The fees also depend on the size of the retailer—smaller retailers will charge manufacturers less to put products in the store than large chain retailers.

One type of placement fee is a slotting fee or allowance. Slotting fees are one-time fees paid by the manufacturer to the retailer to introduce a new product into the store (Riulin 2016, 27; Innes and Hamilton 2006, 304). Originally, the slotting fee ensured a manufacturer had a slot

in the retailer's warehouse to store the product, but today it refers to both the slot on the shelf and in the warehouse. Estimates say that, for slotting fees, smaller retailers may charge up to \$8,000–\$9,000 for a new product whereas large retail chains will charge from \$20,000–\$1,000,000 (Riulin 2016, 27; Innes and Hamilton 2006, 304; FTC 2003, viii) depending on the product category. Slotting fees are insurance policies for retailers who want to try out a new product. In the eyes of a retailer, they are taking a risk by putting a new product on the shelf, so if a new product doesn't sell, the slotting fee still ensures a profit for the retailer on the failed product. Slotting fees significantly restrict which manufacturers can afford to try out their product in a store. Consider the following scenario:

Your sister starts making amazing granola bars and sells them to her local food co-op and other small retailers in town. She sees an increased demand for her bars, so she must take out a business loan for, let's say, \$10,000 to increase production, packaging, and compliance with FDA regulations, etc. Already in debt from starting her new product, she wants to try to sell to the smaller regional retail chain but is told that she must pay \$9,000 just to get her product on the shelf. She has suddenly doubled her debt by introducing her granola bars to the few stores that agreed to put her product on the shelf. Now her granola bar is on the shelf next to thirty other granola bars, and because she couldn't afford other product promotions, her product fails.

This scenario demonstrates the near impossibility for small manufacturers to make a successful product due to slotting fees alone. Because of this, large-scale manufacturers such as Nestlé, Coca-Cola, and Pepsi have an incredible advantage in this marketplace due to their ability to take risks and pay slotting fees and, therefore, have a near monopoly over the introduction of new products into the grocery industry.

Another type of placement fee is a pay-to-stay fee. Pay-to-stay fees are annual fees paid by the manufacturer to the retailer to keep products on the shelf throughout the year. Typically these annual product "rents" come in the form of free merchandise or reduced wholesale pricing, rather than direct cash (Riulin 2016, 17; Martinez-de-Albeniz and Roels 2007, 15). Pay-to-stay

fees assure the manufacturer that the retailer will keep a spot for their product throughout the year. Typically, these are imposed on products that are not new to the market and therefore are a way for the retailer to get something (in addition to sales profits) from the manufacturers on products regularly stocked in the store. Going back to my above scenario, for small-scale manufacturers, offering up free merchandise or reduced pricing on products is very costly, limiting products that are able to stay in the store and build customer loyalty to manufacturers.

The final type of placement fee is a display fee. Display fees are fees paid by the manufacturer to the retailer to advertise their products around the store in “end caps” (end-of-the-aisle displays), check-out line placement (the most profitable part of the store), shippers (large,



island-like displays between aisles), and shelf talkers (in-aisle shelf displays) (Riulin 2016, 17). Display fees ensure a manufacturer that they will get the best real estate in the store to increase purchases of their product. Most displays are temporary, lasting only a few weeks or up to a few months, and therefore manufacturers will

have to pay for them repeatedly throughout the year (as seen in the example of the Superbowl shipper display). Display fees such as the endcaps and shippers can cost up to \$50,000 for the manufacturer, whereas check-out line placement for the entire year could cost up to \$1 million for the manufacturer (ibid. 2016, 2; FTC 2003).

Typically, shippers and endcap displays are placed in high-traffic areas of the store, such as the end of the aisle or in larger walkways between aisles and the perimeter of the store. From the manufacturer and retailer perspective, these types of displays increase the consumer’s likelihood of purchasing the product if they have to walk past it in multiple locations throughout

the store. For example, a consumer may not choose to walk down the chip aisle because they were not planning to buy chips, but if they walk past a Tostitos endcap or Pepsi shipper in other parts of the store they may see them and decide to buy them. This is especially true when endcaps and shippers are placed in areas of the store strategically. For example, Pepsi might put a Ruffles shipper in the dairy aisle next to the chip dip knowing that people walking by the dairy aisle might see the Ruffles and think they sound like a good snack to have with some dip, so the consumer buys both.

The check-out aisle, however, is the absolute best place to have your product in the store, but, as noted above, it comes with a hefty price tag. The price tag includes the cost of placing



products in the check-out aisle and providing a display for the products so they can be sold individually. The photo to the left shows the packaging of Hershey's check-out aisle displays before they are unwrapped to be placed on the shelves. As you can see, there are specific instructions for retail workers to unwrap and display the candy. A significant

amount of marketing materials for retailers discussed the importance of the check-out aisle for profits due to the placement and ability to mark-up products.

### Category Captains

Another industry standard that determines how food choice is constructed in the grocery store is called "category captains." In the grocery store, products are organized into different retail categories, such as cereal, mayonnaise, chocolate, and soda, which help to organize the store. Category management, or the process of organizing the store by categories and within

categories to influence consumer response, involves several factors such as product assortment, pricing, and shelf-space organization (Kurtulus and Toktay 2005, 1).

It seems intuitive to think that category management is done by the grocery retailers themselves, but retailers actually outsource this responsibility to category captains who represent the best-selling food manufacturer in that category (Derochers, Gundlach, and Foer 2003, 201). This means that the best-selling product company in that category gets to create a “planogram” of that entire category, which includes a shelf placement plan for all the products in that category (including their competitors) by using pricing and turnover data provided to that category captain by the retailer (Riulin 2016, 38). To put it plainly, best-selling manufacturers get to determine where all of their competitors sit on the shelf. Therefore, their product might be perfectly at eye level, next to the retailer private label, and their other competitors might sit at the lower shelves out of eye level. This industry standard keeps the best-sellers the best-sellers, limiting product competition and consumer choice.

#### Cooperative Marketing Agreements

Cooperative advertising refers to a short-term formal agreement between a manufacturer and retailer to work together to advertise and market products. This includes coupons, sales promotions, and advertisements (Li, Huang, Zhu, and Chau 2002, 347; Riulin 2016, 4). These agreements give retailers the upper hand, since they know the local markets well and therefore have greater insight into how best to advertise and market products to create immediate sales (Li, Huang, Zhu, and Chau 2002, 351). Retailers are able to structure what many of the cooperative agreements look like, taking into consideration local context to inform the line items in the contracts. This means that retailers can exploit their knowledge to have leverage over the manufacturer, and ultimately they are able to “decide how much, if any, of the manufacturer’s



money is spent” (Li, Huang, Zhu, and Chau 2002, 351). Given this leverage, it would seem that entering formal agreements with the retailers is bad business for the manufacturers. However, manufacturers are incentivized to enter cooperative marketing agreements with retailers that cost them money and favor the retailer’s profits over their own, because if they don’t do this, their products will not sell as well as they would without promotions (Li, Huang, Zhu, and Chau 2002, 351; Riulin 2016, 4).

Public policies that regulate the grocery retail industry marketing practices are limited, leaving room for the private market regulation strategies to define what standards manufacturers and retailers use to define their relationship and construct food choice. These private industry standards, or trade promotions, include elaborate systems of placement fees, category captains, and cooperative marketing agreements that all help retailers gain a profit while constructing food choice for consumer. These standards have given way to common industry practices that further influence food choice in the grocery store. The next section will discuss the historical context for how these practices developed and provide an overview of the trends that are used to influence food choice in marketing practices.

## **Grocery Industry Practices that Influence Food Choice**

Now that I have established an overview of the public regulations and private industry standards that provide the guidelines for grocery retailers to operate when marketing food, I can detail the direct practices retailers engage in to influence food choice. My second research question asked: What are the trends in practices of grocery store food pricing and advertising that impact food choice? This relates to my central research question by helping to provide an overview of the types of practices that grocery retailers engage in to construct and influence food choice. To answer this question, I reviewed scholarly and grey literature to better understand the common practices grocery stores use to market food in the store.

Grocery retailer marketing can be divided into two major practices, which are outlined in detail in the sections below: product pricing, which includes practices that reduce the price of products, and product placement, which includes store layout and some industry standards discussed above related to advertising with placement. Key findings in this section are the predatory product advertising and placement as well as privacy concerns on retailer tracking of consumers. These key findings connect to broader analytical points in the *The Power that Constructs the Illusion of Choice* section related to power, choice, and the failure of the market.

### *Product Pricing Practices*

Pricing of food products is complex due to the inelasticity of food. Elasticity is an economic term that describes how demand and profit of a product is impacted when the price is manipulated by factors such as promotions and discounts (Glanz, Bader, and Iyer 2012, 506). A product is considered elastic if a product is discounted, and as a result, demand and sales for that product increase. Food price is considered inelastic because even when it is discounted or the price changes, the demand generally stays the same. This is because food is a basic necessity that

people need to survive; therefore they always need to purchase food whether the price changes or not. As a result, food prices are generally not significantly driven by demand, making them particularly vulnerable to retailer decisions.

Grocery retailers use complex formulas to determine how to price food products. These formulas include price sensitivity, substitution and promotion effects, segment-based pricing, cross-category effects, retailer costs, and competition (Levy, Grewal, Kopalle, and Hess 2004, xiii). Rather than focusing on the complicated ways that food is priced, it is more relevant to briefly discuss how stores use pricing promotions to influence consumer willingness to shop at their store and buy certain products over others.

Retailers use price promotions such as product coupons, private branding, and loyalty programs knowing that consumers will travel farther distances to go to larger stores where they can buy all their household and food items at lower prices (Popkowski Leszczyc, Sinha, and Sahgal 2004, 89). This price manipulation practice also allows retailers to collect incredible amounts of data on the influence of these promotions through bar code tracking and customer data tracking. This allows retailers to understand how promotions operate individually and also together. For example, if a retailer advertises their store brand with coupons, they would be able to track the effectiveness of that coupon, in that particular location, on that particular product. Another example might be offering coupons for holiday-themed cake mixes in the store and placing those cake mixes near non-discounted holiday cookie mixes. A customer may come in looking for the discounted cake mixes and see them sitting next to the snowman easy-bake cookies and decide to also buy those. Retailers can then understand how the coupon of one product, placed next to another product, influences the likelihood of the customer to buy both products.

As demonstrated in the above examples, store coupons are one price promotion practice retailers use to encourage sales in their stores while collecting data on the effectiveness of the coupon on profits. Although it may seem that store couponing would be an effective way to influence consumer purchase of whole, fresh food, several studies of both online and print store coupons have found that the majority of store coupons are for processed foods and proteins rather than fruits and vegetables (Lopez and Seligman 2014; Martin-Biggers et al. 2013, 160). What makes this so interesting is that, as I noted in the background and significance section, the price of whole, fresh food is higher than the price of processed foods. The price variance is due to several factors, but it is primarily due to the price margins in produce being larger than they are for processed, shelf-stable foods. Despite this, stores create more coupons for cheaper, processed foods, making them even more cheap, as opposed to creating coupons for the more expensive, but healthier, option. Store coupon research has even found that regions with lower rates of obesity had higher percentages of coupons for fruits and vegetables than other regions (Martin-Biggers et al. 2013, 160). This demonstrates an obvious link between public health and store coupons, and it also reveals an uncomfortable truth about profit over social concern.

Private labeling in stores is another price promotion practice retailers use to encourage customer loyalty and product sales in their stores. Private labels appeal to cost-conscious consumers by acting as the preferred choice over the other cost-conscious brands (Glaz, Bader, and Iyer 2012, 505). Although private labeling has positive effects on the amount of money spent by customers, the amount of products purchased, and the number of trips to the store, research shows that private labels are secondary to national brands (Ailawadi, Pauwels, and Steenkamp 2008, 19; Vahie and Paswan 2006, 67). This, however, seems to be the market that stores seek to exploit with their private branding: the cost-conscious consumer who prefers to buy the generic

product over the most popular name-brand product. Interestingly enough, private branding is one



of the many industry standards and deals that retailers make with manufacturers. Several food manufacturers will actually produce their product and put it in store brand boxes. In the eyes of the manufacturer, this is a good deal, because they can make profits on their product with two forms of branding: their name brand and the store brand for consumers who prefer to buy the “generic” product.

The final major price promotion practice retailers engage in to influence food choices are loyalty programs. Loyalty programs include programs such as reward cards or discount programs for store “members” and are used as a promotions to attract repeat customers and influence purchasing behaviors of these consumers. Loyalty programs give retailers access to a wide range of your personal data, which allows them to track your purchases and analyze your behaviors. This can then help them tailor promotions to you. In addition, if you register your loyalty card using your phone number, retailers can use that to further track your purchases and tailor your promotions both in store and in coupons sent to your home. Although studies have found that loyalty programs have impacts on attracting repeat customers and that purchasing behaviors only change slightly and taper off after a few months of joining the program, the power of these programs is really in the ability of the retailer to track your every purchase in the store (Meyer-Waarden and Benavent 2007; Meyer-Waarden 2007).

Store coupons, private labeling, and loyalty programs are pricing practices that grocery stores use to incentivize consumers to shop in their stores and purchase certain foods over others. Although there are several other pricing practices that retailers use, these three were the most

common pricing practices that I found industry wide. In addition to pricing practices, retailers use product placement practices to influence consumer purchases in the store; these are discussed next.

### *Product Placement and Tracking Practices*

As noted in the section on industry standards, retailers use trade promotions to place and advertise foods in the store. Trade promotions include product placement tools paid for by the manufacturer such as endcaps, shippers, shelf-talkers, etc. Separate from the manufacturer–retailer industry standards such as trade promotions, retailers have several practices in stores that they use to influence consumer shopping behaviors. These include product placement strategies and data tracking practices.

One product placement approach is store layout, which includes how food categories are placed in aisles to influence cross-category purchasing behavior. How stores organize food categories in the store (i.e., locating the cereal next to the breakfast bars) determines how much cross-category purchasing a consumer does. Some have found this is different for each store, so individual stores will actually monitor consumer shopping behavior to tailor store layout and cross-categorization to determine the best store layout for encouraging cross-category purchases (Bezawada, Balanchander, Kannan, and Shankar 2009).

Another placement approach retailers use in store layout is placing products in certain areas of the store knowing that the perception of healthfulness will differ depending on where a product sits in the store. So retailers might place the exact same product in their category aisle as they do in the health food aisle, but because they also put that product in the health food aisle, the health food consumers may perceive it as the healthier option and purchase it simply due to the placement in the store.

The final placement practice retailers consider in store layout is virtue versus vice item placement. Consumer research shows that if customers are influenced to purchase their “virtue” products such as produce first, then they are more likely to purchase “vice” products in higher quantities than if the order were switched (Hui, Bradlow, and Fader 2009). This is why, upon entering a grocery store, the layout encourages you to buy produce items first. Then, because you feel good about the healthy food you put into your cart, you are likely to purchase processed, less healthy foods in higher quantities.

One of the ways stores observe trends to best construct the store layout is through data tracking practices. Primarily this is done through video recording devices in aisles. This footage



actually allows retailers to collect visual data on consumer types likely to buy certain products. For example, if a retailer wanted to know what type of consumer (black, white, short, overweight, bearded, etc.) is likely to buy its store brand coffee, they might record the foot traffic in that aisle for several months to determine

how to appeal to different types of consumers. As seen in the photo taken at my local Giant grocery store, this is actually a common practice of retailers that you might not notice unless you know where to look. In addition to this alarming invasion of privacy, newer trends in tracking are emerging, such as attaching tracking devices to grocery carts to understand store paths traveled, exploiting loyalty program data more intentionally, and, perhaps the most shocking tracking practice I have learned about, exploiting individuals’ smartphones through Wi-Fi and bluetooth to understand shopping habits in real time (Turow 2017; Larson, Bradlow, and Fader 2005).

Although these are just emerging practices, as technology advances, retailers are becoming more savvy in exploiting the lack of public regulation governing their relationship with consumers.

Trends in retail practices such as product pricing, promotion, placement, and tracking are intended to influence consumer food choices and better position retailers to exploit consumers for profit. Although this does not represent all the types of practices stores use to construct and influence choice in the store, it represents some of the common practices used and emerging trends that are especially concerning given privacy concerns for consumers. The next section analyzes the implications of grocery store public regulations, private industry standards, and practices in constructing the inequality of food choice for consumers.



## **The Power that Constructs the Illusion of Food Choice**

The food system's hourglass economy is dominated by the power grocery retailers have over manufacturers, consumers, and the food system. Through limited public regulation, copious private market standards, and grocery industry practices, food choice has become an illusion constructed by food retailers and manufacturers. Concentrated food retailer and manufacturer power limits competition, nutritional variety, and individual choice and demonstrates failure in a neoliberal free market system. The following sections discuss the power retailers have over manufacturers, the free market, and consumers.

### *Power of Retailers Over Manufacturers and the Free Market*

Food retailers have gained extraordinary power over food manufacturers. The lack of public regulation imposed on retailers (and the numerous regulations put on manufacturers), allows retailers to determine the pricing and advertising of food, therefore establishing private industry standards that have become the norm in our food retail industry. It is apparent that some of the public regulatory policies for food retailers are meant to be controlled in the private market. For example, weights and measures standards are put in place by regulatory agencies to avoid consumer deception, yet the ways in which they are established and presented are determined by a set of unofficial guidelines, therefore, in some cases, leaving the power of pricing presentation in the grocery store to the profit seeker. Because of flimsy public regulations such as this, food retailers have incredible amounts of discretionary power over food manufacturers to determine the marketing and advertising of processed food products in the store. Trade promotions between retailers and manufacturers such as fees, category captains, and cooperative marketing agreements have allowed only a few of the largest manufacturers to dominate the majority of the grocery store.

Some free market proponents would argue this is exactly the purpose of the free market—to allow the private industry to determine what the market looks like and allow free competition to drive supply and demand. However, by allowing the grocery industry to determine what the relationships look like with manufacturers and consumers, there is only one competitor in the game: the retailer. Although retailers enter agreements with manufacturers to sell more products, these agreements only benefit a few manufacturers who already control the market.

Category captains, for example, act as rewards to manufacturers who pay their due diligence to the retailer in the form of trade fees and cooperative marketing agreements and, therefore, have seen the sale of their products increase. Because of earning the best-seller ribbon in a category, manufacturers get to further eliminate the possibility of competition by determining the placement of all brands in their category. Neoliberalism has failed the private market here, allowing unequal private contracts or rewards to determine how competition plays out. When the point of competition in a free market is to drive innovation, quality, and diversity, the grocery industry serves as an exemplar of free market failure.

This free market failure is a tragedy for our economy, but it is also devastating to consumers. The lack of public regulation gives power to the market to determine standards of practices, therefore paving the way for the predatory practices of stores to manufacturers, by weeding out competition, and to consumers, by constructing and influencing individual food choice.

#### *Power of Retailers Over Consumers*

The result of the power that retailers have gained over both manufacturers and the food market has given retailers power over consumer privacy and food choice. Consumers are nudged

into buying processed, shelf-stable foods over whole, fresh foods as a result of 360-degree marketing, which targets the consumer in the store and at home with placement, display, pricing, and monitoring strategies to impact food choice.

Privacy concerns over retailer monitoring of consumer behavior is concerning—and even more concerning is the lack of regulation on this behavior. By tracking consumer data through loyalty programs, in-store monitoring via recording devices and cart trackers, and even cell phone location monitoring, retailers are exploiting consumers without their consent. This allows them to better market their foods and tailor strategies so that each individual has the greatest chance of buying the products the retailer wants them to. In addition to exploiting consumer privacy, retailers assert power of consumers through the construction of food choice.

Food choice refers to both the individual choice to purchase food in the store as well as the variety of food. Due to the power of food retailers over manufacturers and the food market, food retailers are able determine what food they bring into the store and how it is marketed. Because of this, retailers have created a food space in which a few major food manufacturers dominate the grocery store shelves and consumer response to the products. Trade promotions have created a food retail environment that constrains consumer choice. Display fees nudge consumers to buy items they weren't planning to buy at numerous locations throughout the store. These food items are typically processed with added sodium and sugar to make them shelf stable, two additives that contribute greatly to diet-related disease. Pay-to-stay fees ensure that the variety of food stays relatively the same on an annual basis, inevitably limiting both consumer choice and nutritional variety of shelf-stable products. Further, category captains limit food variety by stacking the odds against second-best products and therefore nudging consumers to purchase the same foods. Outside of these standards, the practices of grocery stores related to

coupons and advertisements overwhelmingly encourage consumers to purchase processed, shelf-stable foods over whole, fresh foods by making processed foods more affordable for consumers to purchase and increasing the likelihood that customers will purchase them due to the 360-degree marketing used to motivate purchase.

All of these retailer strategies and practices create a lack of product diversity and increase public health risks for consumers. Public health risks for consumers are detailed in the Contribution section. These risks are related to diet-related disease such as obesity, diabetes, and hypertension as well as food contamination. If one of these major manufacturers had a food safety issue and had to issue a recall of a product, let's say one that was heavily advertised through the various 360-degree marketing techniques, millions of consumers could be at risk for exposure to the food contaminant. Of course, for business, profit is the true motivator of staying in the business, but in neoliberal models the private market is intended to intervene in social issues. If market mechanisms fail to intervene, there is nothing there to protect consumers.

This constrained choice, and the failure of a neoliberal, market-led system, has created an illusion of choice in the grocery store, where the appearance of grocery store variety and individual choice is deceptively constructed by a few predatory, profit-motivated, massive corporations. Choice is constrained not only by income and purchasing power, but by the illusion that the decisions we make in the store are meaningful and our own. The market is stacked against one of the main premises of neoliberalism: individual choice. Retailers constrain this choice through their construction of food choice and contribute to the notion that health is a privilege granted to the self-sufficient. To assign personal failure to those struggling with debilitating diet-related disease is not only wrong, it's displacing blame from predatory corporations onto vulnerable citizens. Ultimately the reason that the construction of food choice

is so veiled in secretive practices by the private market is to ensure that we, as individuals, as a society, and as a country continue to treat structure inequalities created by institutions as individual failures. The next section discusses the Contributions of this thesis work, specifically discussing implications for consumers.

### **Contribution: Implications for the People**

This research addresses grocery store marketing regulations and practices because I want to learn what role grocery stores have in constructing their consumers' food choices so that grocery stores can be held responsible and seen as an intervention point for the increasing rates of diet-related public health issues in low-income populations. By looking at policies, industry standards, and practices of grocery retailers in advertising and marketing food, I am able to clearly see the potential that grocery stores could have in promoting whole, fresh food rather than processed food. The current grocery industry is stacked against consumers, manufacturers, and has real public health implications.

As stated in Chapter Two: Background and Significance, the grocery industry standards and practices discussed in this paper started in the 1990s. As the industry was accumulating power by changing the relationship between manufacturers and product marketing, rates of diet-related disease were rising. In 1990, adult obesity impacted between 30.5 percent of the adult population, rising to 37.7 percent by 2016 (State of Obesity 2017). During this same period, child obesity rose from 13.9 percent in 1990 to 17.2 percent in 2016 (ibid., 2017). In addition to obesity, diabetes rates show similar trends. In 1990 6.21 million adults had diabetes, and, by 2015, 23.35 million adults had diabetes (CDC 2017). Considering what we have learned in this paper regarding the marketing of food related to processed, shelf-stable foods, which are typically loaded with sodium and sugar, it is interesting to think about the correlation between grocery industry marketing changes and the rising of diet-related disease. These public health correlations should be alarming for all consumers, not just those already diagnosed with obesity or diabetes.

Although this isn't specific to income bracket, diabetes rates are likely a result of the privileged nature of health in the US. Sacrificing the health of low-income consumers—and considering the associated costs to the government of healthcare for low-income people—to honor the lack of regulation in the food system that retailers and manufacturers created to make a profit is a loss for the government and the citizens who elected it. This argument for the public good demonstrates the necessity of corporate social responsibility in the food system to change the predatory practices that define it today.

In addition, the lack of policy and regulation on industry practices means the current trajectory can be easily disrupted. For example, regulation could be introduced that requires retailers to serve as an intervention point to address diet-related disease through food interventions, discounts, and the data they collect on purchasing trends (Glanz, Bader, and Iyer 2012). They could use this predatory nudging they have grown accustomed to in order to better the social condition of consumers rather than contribute to the demise of public health. Other policies that could help improve the food retail environment to work for consumers is to consider antitrust and privacy laws that require consumer consent to intrusive tracking (Desrochers, Gundlach, and Foer 2003).

Further research is needed to better understand how these strategies and practices differ from retailer to retailer and the overall impacts these strategies have directly on consumer public health. It would also be interesting to explore more of the out-of-the-store marketing done by retailers through TV and internet. Finally, further research and transparency is needed to better understand what data retailers are collecting from consumers and how that data is being used.

Formal policies that govern the grocery store are minimal, leaving the private market to develop industry standards that favor companies who can pay-to-play in the market. The

practices that result from this lack of policy and public-sector regulation leaves grocery retailers with the power to construct and determine the food choices for millions of consumers. Although this can be discouraging and overwhelming, making these these issues visible can create opportunities for grocery retailers to become socially responsible. Given the lack of regulation on industry practices, grocery retailers have the ability to change their current practices.



## Chapter 5: Conclusion

This research seeks to shed light on the marketing standards and practices that grocery stores use to influence consumer purchases. Although some of the findings in this paper may be obvious to consumers, many of the findings are shocking and uncomfortable—not only in relation to the illusion of food choice that is constructed for us, but in how our privacy is being invaded without our consent. I wanted to learn about the role of grocery stores in constructing consumers' food choices, because I am concerned with the rising rates of diet-related public health issues in our country, but this work has surfaced how grievously unequal our food provisioning system is in the US. By detailing the public regulations, private industry standards, and industry practices that construct the food choices in our country and the larger impacts this has on the private market, consumers, and our food system, social problems related to the inequality of choice and privilege of health are revealed. This concentration of ownership and control in the center of the hourglass of our food system has allowed food pricing, promotion, and placement to be meticulously constructed by grocery retailers to determine a consumer's food choice. Therefore, *individual* choice is constrained by income and purchasing power and by the illusion that decisions consumers make in the store are meaningful and their own.

Discourse focused on individuals' food choices is limiting in its potential for achieving social change. This is because food choice is not individual and, instead, constructed for consumers by rich and powerful food retailers and manufacturers. In this neoliberal system, where we allow the private market to address social issues, the food retail sector is an example of how neoliberalization of the market has failed. This failure is seen both through the lack of competition in the market and the lack of individual choice in the market. In the case of the grocery industry, neoliberalization of the market (the lack of regulation and therefore a healthy

free market with diversity in competition) has led to an incredibly unequal balance of power, with negative implications for our social, economic, and political lives. Food retailers have manipulated the market to increase profits, exploit consumers, and monopolize the market for food. This means that just a few food retailers are able to dictate the food choices of millions of consumers. Although the premise of the market is not to ensure that everyone is provisioned with food—i.e., it is not to eliminate hunger, the goal of the market is to have free market competition that enables consumers to have great diversity in choice. The failure of neoliberalism in the US has implications for the future of food retailing, especially in respect to consumer public health.

These findings can easily make one feel helpless, but looking at policies, industry standards, and practices of grocery retailers in advertising and marketing food, there is potential for grocery stores to promote whole, fresh food rather than processed food. Making these practices more visible helps to identify areas for change and potential pathways forward. I am hopeful that these practices can change as more citizens demand corporate social responsibility, but I am ultimately pessimistic that real social change is possible in the private sector. For our food system to change, we need government regulations and policies to demand corporations to preference citizen health over personal profit. We must stop demonizing low-income people's food choices as personal failures, as *individual*, and challenge the *systemic* implications of how food choice is constructed differently for people of different income brackets by massive corporations.

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