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Agreements between small food store retailers and their suppliers: Incentivizing unhealthy foods and beverages in four urban settings

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ABSTRACT

Small food stores, like corner stores and limited assortment stores, often sell and promote unhealthy foods and beverages. Yet few studies have examined retailer participation in contracts or agreements with suppliers of energy-dense, high-sugar, and high-fat foods and beverages. Given that these agreements may influence the placement and promotion of unhealthy products, this study aimed to: (a) describe incentive-based agreements between food/beverage suppliers and small food store retailers, including monetary value of incentives; (b) assess retailers' perceptions of these agreements, including issues related to importance and profitability. Both qualitative (open-ended) and structured interviews were conducted with 72 managers of small stores in four sites: Durham, NC; Baltimore, MD; Minneapolis/St. Paul, MN; and San Diego, CA. Interviews focused on incentivized agreements with suppliers of candy, salty snacks, sweet snacks, sugary beverages and frozen desserts. On average, retailers had 1–2 agreements per product category (range 0–5). For candy, salty snacks and sweet snacks, median one-time, lump-sum incentives were valued at \$100–\$120 for each product category, in contrast to \$2000 for sugary beverages. Incentives included product displays, free/discounted products, marketing materials, and slotting payments/fees. Perceived advantages of agreements included rebates and suppliers' support for product merchandizing, while disadvantages included minimum purchasing and product placement requirements. Retailers had mixed opinions about whether these incentives significantly contributed to profits overall. In summary, understanding the nature of these agreements and the ways in which they influence retailers' decision making could be valuable in advancing efforts to partner with retailers and improve the healthfulness of food environments.

1. Introduction

Obesity remains a serious concern in the United States with approximately 35 percent of adults (Ogden et al., 2014) and 17 percent of children and adolescents considered obese (Ogden et al., 2016). Lower-income adults and children are at a higher risk of developing obesity (Gordon-Larsen et al., 2003; Murasko, 2011). This increased risk has been associated with living in socio-economically disadvantaged areas that lack access to food stores offering a range of healthy and affordable foods (Giskes et al., 2011). These socio-economically disadvantaged areas tend to be concentrated with small food stores, convenience

stores, and corner stores that offer limited healthy options (Larson et al., 2009). Neighborhoods densely populated with small food stores contribute to unhealthy diets among local residents (Bodor et al., 2008), including overconsumption of high-sugar, high-fat foods (Bodor et al., 2008; Drewnowski, 2004); they are also associated with high rates of obesity and chronic disease (Gibson, 2003; Morland et al., 2006; Wang and Beydoun, 2007).

Products regularly purchased in small food stores tend to be particularly energy dense, yet also nutrient poor. In a large study of Philadelphia schoolchildren, Borradaile et al. (2009) found that more than half of participants reported shopping at corner stores every day,

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spending an average of \$1.07 (± 0.93) to purchase 357 (± 290) calories. As a daily exposure, such visits hold the potential to influence long-term food preference and consumption habits for many individuals.

Small stores often tend to be frequently used food sources, particularly for relatively small, regular shopping trips and among residents in lower-income, urban areas and in ethnically diverse communities (Borradaile et al., 2009; Cannuscio et al., 2010; Emond et al., 2012; Sanders-Jackson et al., 2015). While more than 85% of U.S. households shop for food at large grocery stores weekly, nearly 20% also shop at small food stores and more than 40% shop for food at other stores, such as convenience stores, dollar stores, and pharmacies (Todd and Scharadin, 2016). Slightly more than half (55%) of total weekly household food expenditures in the U.S. occur at large grocery stores, compared to 10% at small and other food stores, though this allocation varies by income level. Despite this smaller degree of food spending in small food stores compared to large groceries, those who shop in small food stores do so regularly; for example, national data indicate customers who shop in small or specialty food stores do so an average of 1.4 times/week and those who shop in other stores, including convenience stores, dollar stores, and pharmacies, do so an average of 2.2 times/week (Todd and Scharadin, 2016). Furthermore, 20% of SNAP (Supplemental Nutrition Assistance Program) transactions nationally occur in small grocery stores and convenience stores. This accounts for 6% of SNAP benefit redemptions nationally (U.S. Department of Agriculture, 2011), which totaled \$4.6 billion in 2016 (U.S. Department of Agriculture, Retailer Policy and Management Division data, 2016).

Small food store retailers face numerous challenges in stocking and selling healthy foods and beverages. Examples of such challenges include limitations in facilities and equipment (such as refrigeration), challenges with distribution sources, particularly for perishable products, and perceived lack of demand for healthy products. To address the effects of these and other challenges, considerable attention has focused on the stocking and promotion of healthier foods such as fresh fruits and vegetables at small food stores, including investments through the American Reinvestment and Recovery Act of 2009, the Patient Protection and Affordable Care Act of 2010, and the Healthy Food Financing Initiative. In addition, local and regional healthy corner store programming efforts have become widespread across the U.S. (Gittelsohn et al., 2014; The Food Trust, 2016). These efforts often involve one-on-one technical assistance partnerships with small food store retailers in lower-income areas to help with stocking and selling healthy, perishable foods. An example of one such program is the Minneapolis Health Department's Healthy Corner Store Program, which began partnering with small retailers in 2010 to provide free merchandizing toolkits (including resources such as signage, window clings, and display baskets for advertising and displaying healthy foods), give hands-on support for in-store product merchandizing and other technical issues, identify viable distribution and delivery options for produce, provide in-store nutrition education and taste testing and train small food store retailers in best practices for produce handling (Minneapolis Health Department, 2014). Despite these and other similar efforts, little attention to date has been given to understanding a broad array of supply-side constraints that may challenge the success of these programs. For example, anecdotal evidence from healthy corner store programs in the field has suggested that small food store retailers often have formal and/or informal agreements with food and beverage suppliers, particularly companies that supply energy-dense, high-sugar, high-fat products, that may undermine these efforts.

Previous research has demonstrated that agreements exist between small food stores and other product suppliers, such as tobacco manufacturers, to promote the sale of targeted products. A study of tobacco retailers in 15 states found that 65 percent of these retailers had agreements with tobacco manufacturers or suppliers, and stores with agreements featured more prominent placement of cigarettes and

advertising and had cheaper cigarette prices, compared to stores without agreements (Feighery et al., 2004). However, little research has been conducted to document if these types of relationships exist between small food stores and food and beverage suppliers. A study conducted in 1999 in Santa Clara County, California compared tobacco companies to other suppliers, including those that supply sugary beverages, candy, and snack foods, in their offerings of promotional payments to small retailers and found that retailers did receive promotional payments from unhealthy food and beverage suppliers (Feighery et al., 1999). However, this study was limited in its investigation of the details of these agreements. Other work has suggested that agreements between food retailers and suppliers, including fees of over \$1 million for placement of a new food product in a chain store, are common in supermarkets and other large-scale food retail settings; however, systematically assessing the scope and monetary value of these relationships has historically been difficult because of retailers' and suppliers' reported reluctance to publicly divulge this type of information (FTC, 2001; Rivlin, 2016).

New research is needed to better understand the nature of these agreements for different types of food and beverage products and how they are perceived by retailers, particularly small food store retailers, who may have limited control and negotiating power over the terms of these agreements. More information on small food store retailers' perceptions of product importance and profitability among different types of healthy and unhealthy foods and beverages would also provide researchers and policy makers with a better sense of the rationale for retailers having different types of agreement across different product categories. To help address these gaps in the literature, the purpose of this study was to use both qualitative and quantitative methods to: (a) describe incentive-based agreements between food/beverage suppliers and small food stores, including monetary value of incentives received; (b) assess retailers' perceptions of these agreements, including issues related to importance and profitability.

2. Materials and methods

This exploratory research was part of a larger study that investigated the characteristics of agreements between small food store retailers and food/beverage suppliers, especially those supplying energy-dense, high-sugar, high-fat products (Ayala et al., 2017; Gittelsohn et al., in press). Both qualitative and quantitative methods were used, as described in detail below. We examined formal and informal agreements that provided incentives to retailers, including agreements that involved receipt of retail display allowances or slotting fees, exclusivity contracts, participation in retail promotional programs and the provision of display cases, refrigeration units and/or other incentives. Formal agreements included those that were written, whereas informal agreements included those that were verbally agreed upon or 'handshake' agreements. The term "agreement" is used in this paper to reflect the spectrum of formal and informal agreements captured during data collection. Data collection was conducted in: Durham, NC; Baltimore, MD; Minneapolis/St. Paul, MN; and San Diego, CA. Stores were identified for participation from various sources, including lists of existing small food stores in the target area (San Diego, Durham) and lists of small stores previously involved in healthy corner store programming (Minneapolis/St. Paul, Baltimore).

To be eligible, stores had to have 3 or fewer cash registers and be located in a low- to middle-income area based on data from the American Communities Survey (U.S. Census Bureau, 2014). We focused on low to middle income areas because individuals living in these areas are more likely to experience adverse diet-related health outcomes and are more likely to have limited access to supermarkets (and thus potentially rely more heavily on smaller stores), compared to those living in high-income neighborhoods (Bodor et al., 2008; Drewnowski, 2004; Gibson, 2003; Morland et al., 2006; Wang and Beydoun, 2007). Eligible store owners/managers (hereafter referred to as 'retailers') had to have

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