

From supermarkets to supercenters: employment shifts to the one-stop shop

Warehouse clubs and supercenters have expanded into market segments long dominated by department stores and supermarkets, eroding employment and sales in these giants of retail trade; the increasing dominance of warehouse clubs and supercenters will force yet more structural changes upon the industry

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Dramatic changes in product delivery channels are reshaping the landscape of retail trade. Warehouse stores and supercenters are quickly moving into market segments once dominated by department stores and supermarkets. The supercenter is seen as a one-stop, low-price shop for many consumers' needs—from apple pie, to blue jeans, to tires. Over the past several years, this changing dynamic has become more evident not only anecdotally, but also through various Federal statistics. This article reviews recent trends in employment, sales, and establishment data for warehouse clubs and supercenters, department stores, and food and beverage stores. The analysis presented looks at the increasing dominance of supercenters and its effect on employment in the more traditional retailers: food stores and department stores.

Warehouse clubs and supercenters

Warehouse clubs originated in the United States with the 1976 opening of Price Club in San Diego, California.¹ Initially, the clubs offered a wide selection of merchandise at discounted prices to other establishments for resale; essentially, the clubs

functioned as a wholesaler. Eventually, the clubs expanded into retail by opening their doors to select “members,” or customers who had paid a membership fee. While initially the concept was a money loser, firms were turning a profit by the early 1980s. With the success of Price Club, many more firms joined this niche, making warehouse clubs “the fastest growing format in U.S. retailing during the decade of the 1980s.”²

The supercenter is an offshoot of the hypermarket concept, which has existed in Europe since the 1960s. Indeed, the second-largest retailer in the world, France's Carrefour, is a large owner of hypermarkets.³ In 1984, through a partnership of Euromarche and Super Value, hypermarkets first found their way to the United States with the opening of a Biggs in the Cincinnati suburbs.⁴ Today's U.S. supercenters have evolved from the European hypermarket model. Both are essentially the combination of a supermarket and a general merchandise store; however, the supercenter has a greater selection of general merchandise products.⁵ Unlike warehouse clubs, supercenters are open to the general public and have no special eligibility requirements for customers to shop there.

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Despite the relative newness of warehouse clubs and supercenters in the United States, they are firmly entrenched in the retail market. As warehouse stores and supercenters continue to expand, they compete with retailers across almost all retail markets. The increased competition forces chains to adapt and can lead to downsizing, a phenomenon that has drawn great media attention. The overall effect of the increased competition on employment and sales is examined in the remainder of this article.

Shifts in employment

Employment in retail trade, as measured by the Current Employment Statistics (CES) survey, accounts for about 1 in 8 private payroll jobs.⁶ Retail trade and total private employment shared similar characteristics leading into and coming out of the 2001 recession. Both employment series peaked in December 2000 and then declined for approximately 30 months, eventually reaching a trough in 2003 (retail trade in June and total private employment in July). From peak to trough, the private sector lost almost 3.5 million jobs, with retail trade accounting for nearly half a million of them. Since reaching their respective employment troughs, retail trade and the private sector as a whole have experienced similarly mild recoveries: private employment did not fully recover until June 2005, nearly 2 years after reaching an employment trough, and retail trade has yet to fully recover the jobs lost. (See chart 1.)

Within retail trade, food and beverage stores and general merchandise stores together account for more than 1 in 3 jobs, so employment trends in these two industries can have profound effects on the industry as a whole.⁷ Employment in food and beverage stores has declined steadily since reaching a peak in April 2000, falling by 164,600, or more than 5 percent. By contrast, employment in general merchandise stores has expanded. From an employment trough in October 2002 to May 2005, the industry added 78,700 workers, nearly a 3-percent increase. Notably, the industry has fully recovered the jobs lost during its previous employment downturn (December 2000 to October 2002), and employment is currently expanding. (See chart 2.)

With the implementation of the North American Industry Classification System (NAICS) in June 2003,⁸ the CES program was able to begin publishing employment, hours, and earnings estimates for warehouse clubs and supercenters. These estimates allow for a more detailed analysis of employment trends within general merchandise stores. Under NAICS, general merchandise stores are broken down into two main categories: department stores and other general merchandise stores. The category of other general merchandise stores contains the warehouse clubs and supercenters industry (supercenters) and a residual: all other general merchandise

stores.⁹ Department stores are split into two detailed categories: department stores, except discount (that is, the category consists of traditional department stores); and discount department stores (discounters).¹⁰

Since reaching an employment peak in March 2001, traditional department stores have shed over 19 percent of their workforce, or about 170,000 jobs, while discount stores have added just 21,000 jobs, a 2-percent increase. In contrast, supercenters experienced robust growth, with employment surging by 22 percent, or 164,000 jobs. This hiring nearly offset the downsizing in traditional department stores. (See chart 3.)

Diverging trends in establishments and sales

Much of the employment growth in supercenters results from new stores opening, as retailers expand rapidly into the supercenter market segment.¹¹ According to the 2002 Economic Census, there were 2,915 establishments in the supercenter industry, nearly double the 1,530 counted in the 1997 Economic Census. Supercenters accounted for sales of almost \$1.9 billion in 2002. Market share is densely concentrated within the industry: the four largest firms account for 84 percent of all establishments and 92 percent of all sales.

Retailers with both discount stores and supercenters are focusing greater attention on the latter segment, as reflected in their company reports. According to its 2005 annual report, Wal-Mart plans to open 365 establishments domestically in fiscal year 2006. Of those new establishments, 290 fall into the supercenter category, while only 45 will be discount stores. The remaining 30 will be primarily grocery stores.¹² Furthermore, of the 290 new establishments in the supercenter category, 160 will result from expansion or conversion to the newer supercenter concept, thus transferring sales and people to another NAICS category, yet within the same company.¹³ Target, another major chain, is increasing its total supercenter square footage by more than twice the rate of that for discount stores.¹⁴ On the basis of the reports from the two chains, it is not surprising to see rapid employment growth concentrated in supercenters and relatively stagnant employment in discount stores.

Data from the Economic Censuses also show a definite shift in the number of old-line establishments and the proportion of sales they represent. From 1997 to 2002, the number of supermarkets and grocery stores, except convenience stores, declined by 3,369. Sales rose by almost \$43 billion dollars; however, as a percentage of all retail sales, the share of sales at supermarkets and grocery stores declined by 1.4 percentage points. Department stores closed 738 establishments, the bulk of them discount stores. A small increase in sales in discount stores offset a loss in traditional depart-

Chart 1. Indexed total private and retail trade employment , 1995–2005

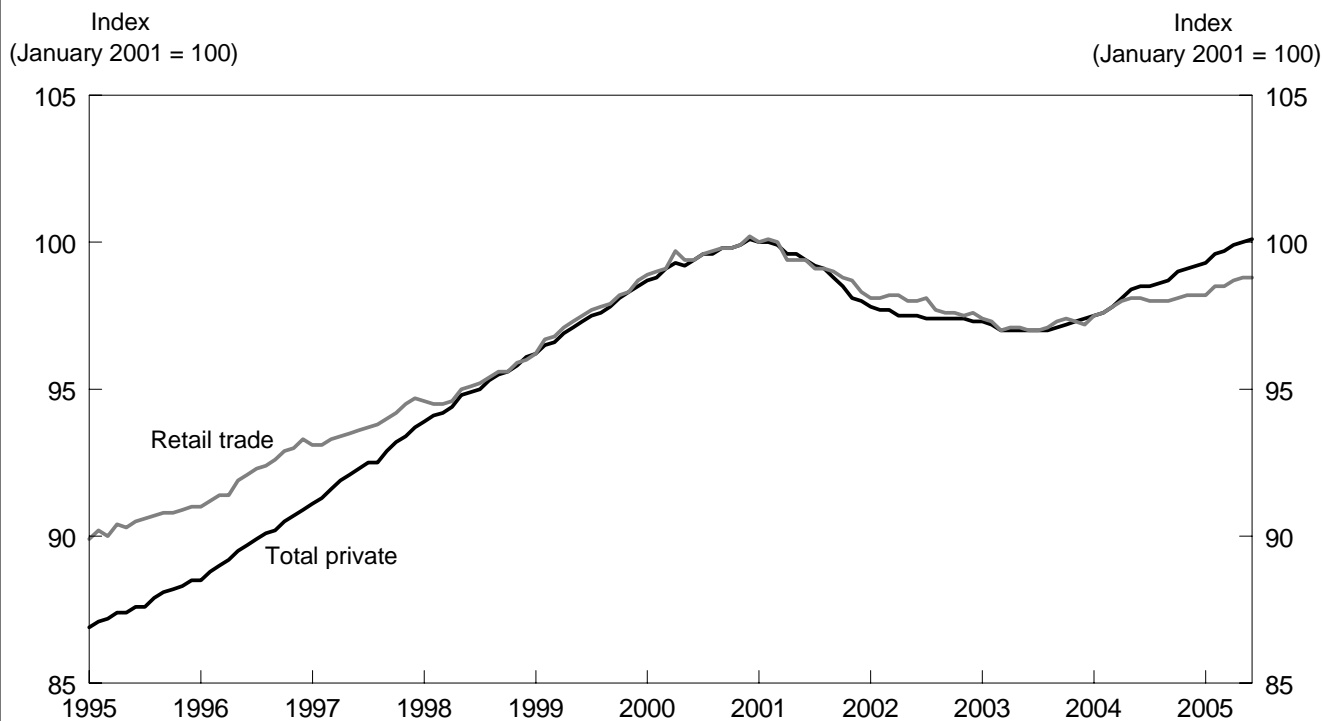


Chart 2. Indexed employment in food and beverage stores and general merchandise stores, 1999–2005

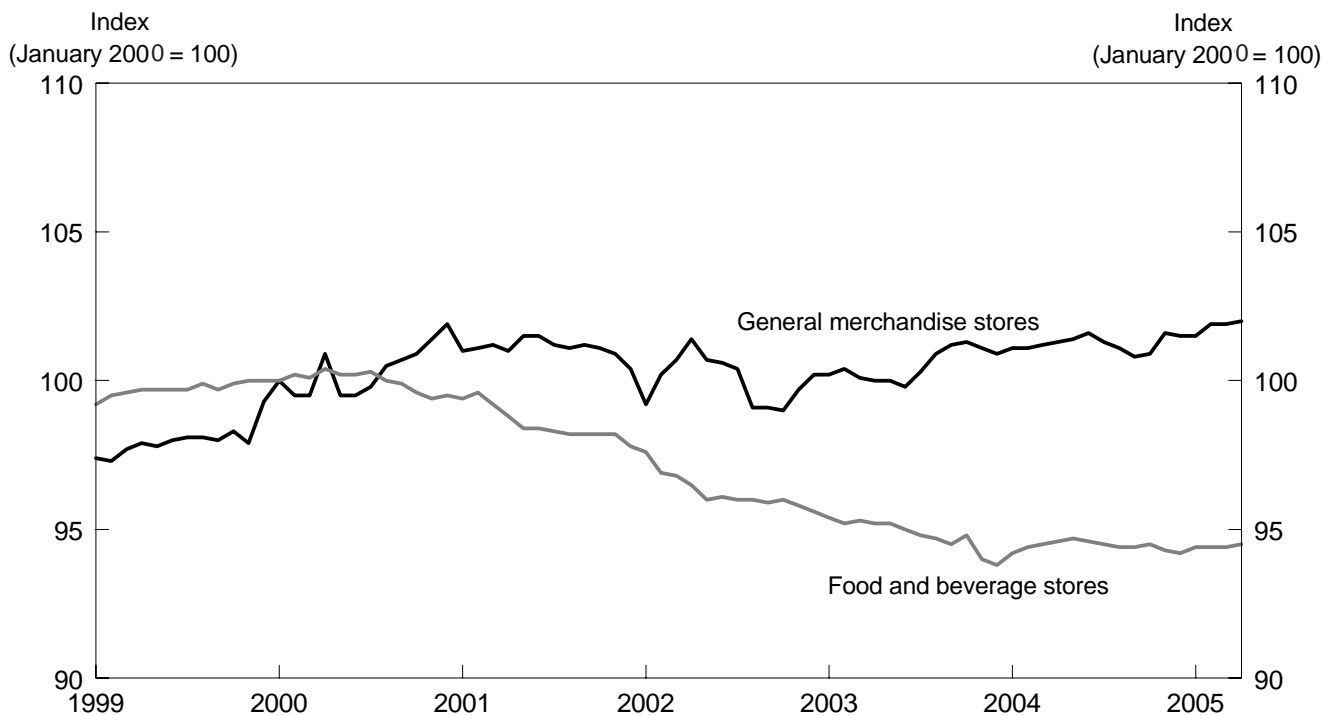


Chart 3. Employment in general merchandise stores, selected components, seasonally adjusted, 1999–2005

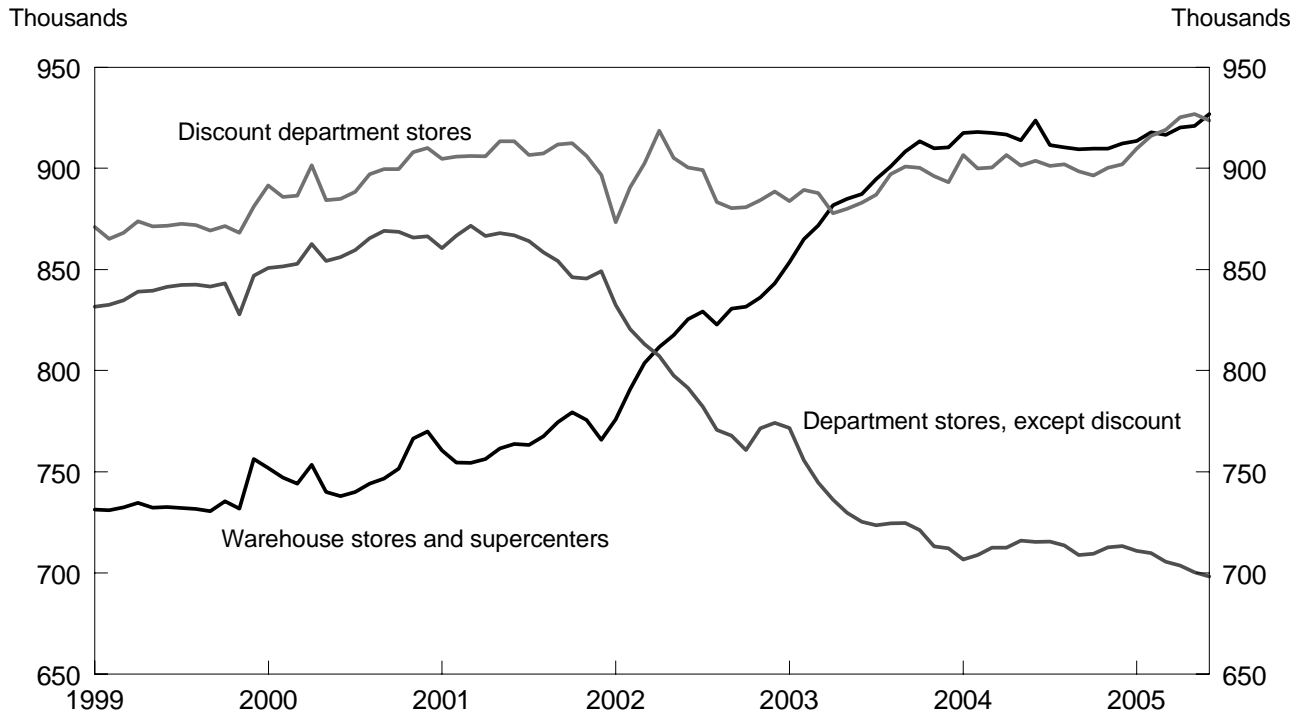


Chart 4. Indexed real sales, selected retail trade industries, 1992–2004

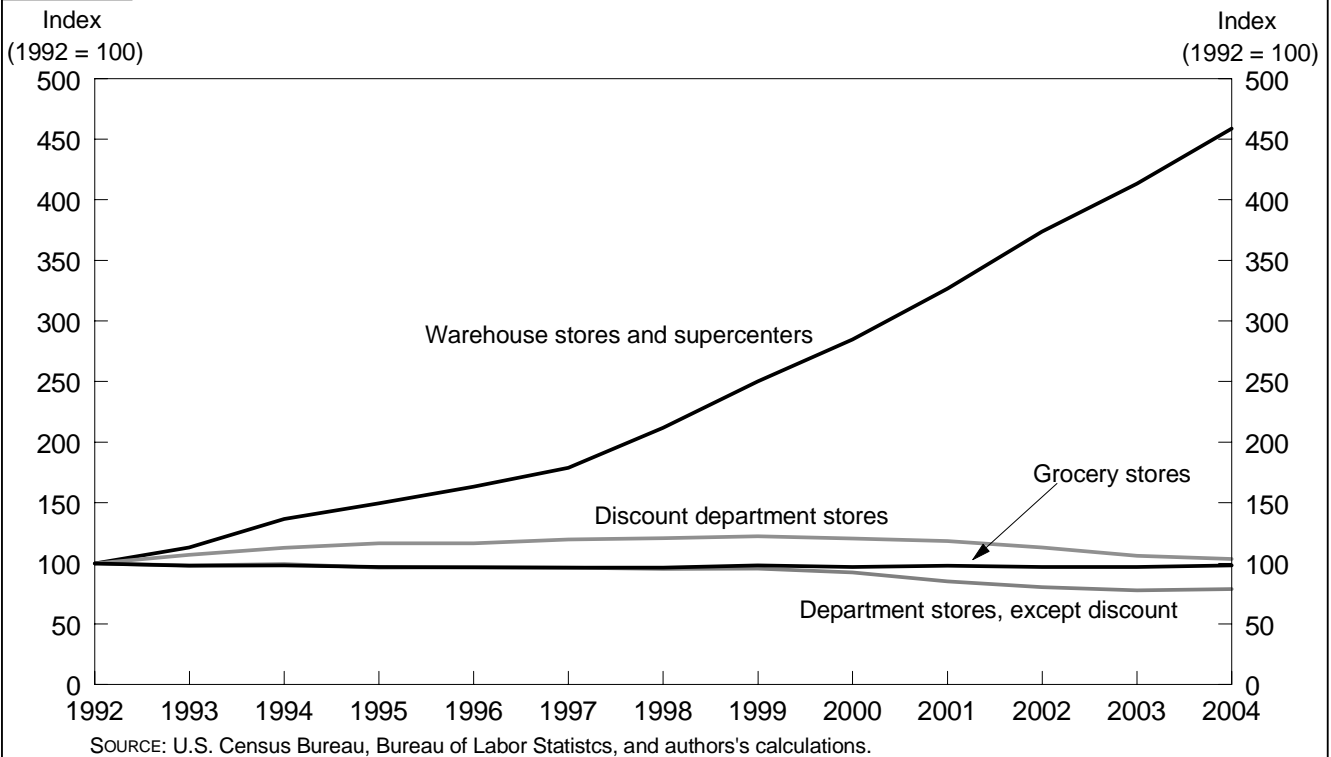


Table 1. Establishment and sales data, 1997 and 2002 Economic Censuses

| Industry | Establishments | | Sales (millions of dollars) | |
|---|----------------|------------------|-----------------------------|---|
| | Number | Percent of total | Total | Percent or percentage points ¹ |
| 1997 Economic Census | | | | |
| Retail trade | 1,118,447 | 100.0 | \$2,460,886 | 100.0 |
| Food and beverage stores | 145,528 | 13.0 | 401,764 | 16.3 |
| Supermarkets and other grocery stores, except convenience stores | 69,461 | 6.2 | 351,403 | 14.3 |
| General merchandise stores | 36,171 | 3.2 | 330,444 | 13.4 |
| Department stores | 10,366 | .9 | 223,232 | 9.1 |
| Department stores, except discount | 3,988 | .4 | 95,018 | 3.9 |
| Discount department stores | 6,378 | .6 | 128,214 | 5.2 |
| Other general merchandise stores | 25,805 | 2.3 | 110,336 | 4.5 |
| Warehouse clubs and supercenters | 1,530 | .1 | 81,919 | 3.3 |
| All other general merchandise stores | 24,275 | 2.2 | 28,418 | 1.2 |
| 2002 Economic Census | | | | |
| Retail trade | 1,116,506 | 100.0 | 3,066,811 | 100.0 |
| Food and beverage stores | 148,901 | 13.3 | 456,136 | 14.9 |
| Supermarkets and other grocery stores, except convenience stores | 66,092 | 5.9 | 394,274 | 12.9 |
| General merchandise stores | 40,907 | 3.7 | 444,664 | 14.5 |
| Department stores | 9,628 | .9 | 224,016 | 7.3 |
| Department stores, except discount | 3,938 | .4 | 89,850 | 2.9 |
| Discount department stores | 5,690 | .5 | 134,166 | 4.4 |
| Other general merchandise stores | 31,279 | 2.8 | 220,648 | 7.2 |
| Warehouse clubs and supercenters | 2,915 | .3 | 189,619 | 6.2 |
| All other general merchandise stores | 28,364 | 2.5 | 31,029 | 1.0 |
| Difference | | | | |
| Retail trade | -1,941 | .0 | 605,925 | .0 |
| Food and beverage stores | 3,373 | .3 | 54,372 | -1.4 |
| Supermarkets and other grocery stores, except convenience stores | -3,369 | -.3 | 42,871 | -1.4 |
| General merchandise stores | 4,736 | .5 | 114,220 | 1.1 |
| Department stores | -738 | .0 | 784 | -1.8 |
| Department stores, except discount | -50 | .0 | -5,168 | -1.0 |
| Discount department stores | -688 | -.1 | 5,952 | -.8 |
| Other general merchandise stores | 5,474 | .5 | 110,312 | 2.7 |
| Warehouse clubs and supercenters | 1,385 | .2 | 107,700 | 2.9 |
| All other general merchandise stores | 4,089 | .3 | 2,611 | -.2 |

¹ Percent of total for 1997 and 2002 Economic Censuses; percentage points for difference.

SOURCE: U.S. Census Bureau.

ment stores. Like supermarkets, department stores saw their share of total retail sales slip. By contrast, supercenters flourished between 1997 and 2002. The number of establishments nearly doubled, while sales grew by more than \$100 billion, accounting for about one-sixth of total growth in retail sales. (See table 1.)

Employment, establishment, and total sales data indicate a substantial shift from more traditional retailers to supercenters. The Census Bureau's Annual Survey of Retail Sales allows for a time series analysis of sales. Only supercenters

experienced consistent, robust growth in real retail sales from 1992 through 2004.¹⁵ Their sales grew by more than 350 percent and stand in stark contrast to a 20-percent decline in traditional department stores and a 1-percent decline in grocery stores.¹⁶ Although sales at discount stores increased by 4 percent over the 1992–2004 period, they have edged down since peaking in 1999. (See chart 4.)

Commodity data, available from the 1997 and 2002 Economic Censuses, allow for a detailed analysis of the distribution of sales by industry. The data show not only the

Table 2. Retail trade distribution of supermarket sales of commodities across selected industries, 1997 and 2002 Economic Censuses¹

[In millions of dollars]

| Industry | Grocery | Meals | Beer, wine, and liquor | Tobacco | Cleaning supplies | Paper products | Total, supermarket commodities | Percent of retail trade |
|---|---------|--------|------------------------|---------|-------------------|----------------|--------------------------------|-------------------------|
| 1997 Economic Census | | | | | | | | |
| Retail trade | 367,224 | 10,838 | 42,126 | 36,819 | 19,195 | 17,066 | 493,268 | 100.0 |
| Food and beverage stores | 285,309 | 3,862 | 32,540 | 13,224 | 10,411 | 10,349 | 355,695 | 72.1 |
| Health and personal care stores | 5,253 | 87 | 2,020 | 1,873 | 527 | 782 | 10,542 | 2.1 |
| Gasoline stations | 21,264 | 3,555 | 5,676 | 13,607 | 301 | 355 | 44,758 | 9.1 |
| General merchandise stores | 44,521 | 1,540 | 1,678 | 4,767 | 7,818 | 5,100 | 65,424 | 13.3 |
| Warehouse clubs and supercenters ² | 33,496 | 647 | 1,373 | 3,534 | 1,787 | 2,361 | 43,198 | 8.8 |
| Miscellaneous store retailers | 364 | 120 | 125 | 2,789 | 43 | 351 | 3,792 | .8 |
| Nonstore retailers | 9,862 | 1,413 | 72 | 433 | 89 | 117 | 11,986 | 2.4 |
| 2002 Economic Census | | | | | | | | |
| Retail trade | 439,641 | 18,393 | 53,556 | 51,733 | 24,678 | 24,138 | 612,139 | 100.0 |
| Food and beverage stores | 311,813 | 9,008 | 40,583 | 13,972 | 10,087 | 10,344 | 395,807 | 64.7 |
| Health and personal care stores | 6,412 | 124 | 1,876 | 1,926 | 899 | 712 | 11,949 | 2.0 |
| Gasoline stations | 24,063 | 5,094 | 7,415 | 22,283 | 275 | 338 | 59,468 | 9.7 |
| General merchandise stores | 82,677 | 2,172 | 3,125 | 6,897 | 12,023 | 9,614 | 116,508 | 19.0 |
| Warehouse clubs and supercenters ² | 68,352 | 1,554 | 3,015 | 6,276 | 5,342 | 4,808 | 89,347 | 14.6 |
| Miscellaneous store retailers | 665 | 107 | 242 | 5,875 | 137 | 2,250 | 9,276 | 1.5 |
| Nonstore retailers | 13,366 | 1,665 | 297 | 694 | 186 | 873 | 17,081 | 2.8 |
| Difference | | | | | | | | |
| Retail trade | 72,417 | 7,555 | 11,430 | 14,914 | 5,483 | 7,072 | 118,871 | .0 |
| Food and beverage stores | 26,504 | 5,146 | 8,043 | 748 | -324 | -5 | 40,112 | -7.5 |
| Health and personal care stores | 1,159 | 37 | -144 | 53 | 372 | -70 | 1,407 | -2 |
| Gasoline stations | 2,799 | 1,539 | 1,739 | 8,676 | -26 | -17 | 14,710 | .6 |
| General merchandise stores | 38,156 | 632 | 1,447 | 2,130 | 4,205 | 4,514 | 51,084 | 5.8 |
| Warehouse clubs and supercenters ² | 34,856 | 907 | 1,642 | 2,742 | 3,555 | 2,447 | 46,149 | 5.8 |
| Miscellaneous store retailers | 301 | -13 | 117 | 3,086 | 94 | 1,899 | 5,484 | .8 |
| Nonstore retailers | 3,504 | 252 | 225 | 261 | 97 | 756 | 5,095 | .4 |

¹ Industries selected are those which represented at least 1 percent of all supermarket commodity sales in either 1997 or 2002.

² Sales by warehouse clubs and supercenters represent a significant

share of commodity sales by general merchandise stores.

SOURCE: U.S. Census Bureau.

encroachment of supercenters upon supermarkets' domain, but also the diversity of products sold at supercenters. The proportion of supermarket commodities sold in food and beverage stores declined by 7.5 percentage points, while supercenters increased their proportion of supermarket commodities sales by 5.8 percentage points.¹⁷ This apparent shift of traditional grocery store items away from food stores and toward supercenters illustrates the changing product delivery channels consumers are choosing. (See table 2.)

Among supermarket commodities, the shift is most dramatic in cleaning supplies and paper products, whose sales at supermarkets fell between 1997 and 2002. Sales of groceries and tobacco rose in food stores, but rose faster in supercenters. Supercenters, however, did not keep pace with food stores in their sales of prepared meals and of beer, wine, and liquor.

More recent data on total retail sales (across all commodities) make it apparent that food stores have continued

to lose market share, likely in part to supercenters. In 2004, total retail sales, in constant dollars, increased by almost 9 percent. Supercenters exceeded that pace, with sales increasing by 11 percent; yet, sales at food stores were little changed.

The rapid growth of sales during the 5 years between the two censuses is telling. (See table 3.) Total sales at supercenters have increased by 131.5 percent, towering over the 13.5-percent rise at food and beverage stores and the 6.4-percent increase exhibited by discount stores, the "growing" portion of department stores. The data also demonstrate that supercenters are expanding across retail segments. From 1997 to 2002, census data show that sales increased across all categories of commodities; the same cannot be said about overall sales at food stores or at discount stores. However, as a percentage of total sales, some of the more traditional supercenter products—specifically, food and beverages, and clothing—suffered declines, perhaps an indication that

Table 3. Distribution of sales by industry and type of store, 1997 and 2002 Economic Censuses

[In millions of dollars]

| Industry | Supercenters | | Food stores | | Discount stores | |
|---|--------------|--|-------------|--|-----------------|--|
| | Sales | Percent of total or percentage points ¹ | Sales | Percent of total or percentage points ¹ | Sales | Percent of total or percentage points ¹ |
| 1997 Economic Census | | | | | | |
| Total | 81,919 | 100.0 | 401,763 | 100.0 | 126,120 | 100.0 |
| Food and beverage | 43,198 | 52.7 | 355,696 | 88.5 | 17,198 | 13.6 |
| Clothing and clothing accessories | 9,507 | 11.6 | 208 | .1 | 34,926 | 27.7 |
| Miscellaneous | 8,302 | 10.1 | 14,494 | 3.6 | 10,347 | 8.2 |
| Health and personal care | 5,212 | 6.4 | 25,974 | 6.5 | 17,408 | 13.8 |
| Sporting goods, hobby | 4,923 | 6.0 | 496 | .1 | 13,314 | 10.6 |
| Furniture and home furnishings | 3,141 | 3.8 | 1,327 | .3 | 13,212 | 10.5 |
| Building material and garden supply | 2,952 | 3.6 | 2,290 | .6 | 7,513 | 6.0 |
| Electronic and appliances | 2,137 | 2.6 | 352 | .1 | 10,513 | 8.3 |
| Automotive and fuels | 2,546 | 3.1 | 925 | .2 | 1,691 | 1.3 |
| 2002 Economic Census | | | | | | |
| Total | 189,619 | 100.00 | 456,136 | 100.0 | 134,166 | 100.0 |
| Food and beverage | 89,348 | 47.1 | 395,808 | 86.8 | 17,803 | 14.1 |
| Clothing and clothing accessories | 17,856 | 9.4 | 352 | .1 | 34,569 | 27.4 |
| Miscellaneous | 15,051 | 7.9 | 13,611 | 3.0 | 11,447 | 9.1 |
| Health and personal care | 17,874 | 9.4 | 36,743 | 8.1 | 19,472 | 15.4 |
| Sporting goods, hobby | 12,117 | 6.4 | 1,163 | .3 | 13,500 | 10.7 |
| Furniture and home furnishings | 8,787 | 4.6 | 1,426 | .3 | 12,817 | 10.2 |
| Building material and garden supply | 7,785 | 4.1 | 3,495 | .8 | 5,926 | 4.7 |
| Electronic and appliances | 16,892 | 8.9 | 811 | .2 | 16,123 | 12.8 |
| Automotive and fuels | 3,909 | 2.1 | 2,726 | .6 | 2,510 | 2.0 |
| Difference | | | | | | |
| Total | 107,701 | .0 | 54,373 | .0 | 8,046 | .0 |
| Food and beverage | 46,150 | -5.6 | 40,113 | -1.7 | 605 | .5 |
| Clothing and clothing accessories | 8,350 | -2.2 | 144 | .0 | -357 | -.3 |
| Miscellaneous | 6,749 | -2.2 | -883 | -.6 | 1,100 | .9 |
| Health and personal care | 12,661 | 3.0 | 10,769 | 1.6 | 2,063 | 1.6 |
| Sporting goods, hobby | 7,194 | .4 | 667 | .2 | 186 | .1 |
| Furniture and home furnishings | 5,646 | .8 | 98 | .0 | -395 | -.3 |
| Building material and garden supply | 4,832 | .5 | 1,205 | .2 | -1,587 | -1.3 |
| Electronic and appliances | 14,755 | 6.3 | 459 | .1 | 5,610 | 4.5 |
| Automotive and fuels | 1,364 | -1.0 | 1,801 | .4 | 820 | .7 |

¹ Percent of total for 1997 and 2002 Economic Censuses, percentage points for difference.

NOTE: Commodities were organized into major groups so that they

would align closely with the retail industry in which they are commonly sold.

SOURCES: U.S. Census Bureau, 1997 and 2002 Economic Censuses; and author's calculations.

supercenters are becoming more diverse. This product diversity becomes more apparent when two particular commodity lines—electronics and accessories, and health and personal care—are examined. Essentially, sales in the two groups rose dramatically from 1997 to 2002, resulting in the largest increases relative to total sales. These relative increases further illustrate the infiltration of supercenters into broad retail trade markets, because two of the fastest-growing product lines are in direct competition with specialty stores and not with traditional food stores or department stores. Yet, as sales of traditional supercenter product lines, such as clothing, decline relative to other products, it is interesting to note that, in monetary terms, increases in clothing sales at super-

centers have outstripped the entirety of sales increases at discount stores.

WAREHOUSE CLUBS AND SUPERCENTERS HAVE GROWN IN POPULARITY over the last several decades. Companies have continued to expand the reach of these two concepts, driving increases in employment and sales. This expansion has had a negative impact on two traditional powerhouses of retail trade: the food and beverage store and the department store, each of which has seen employment and sales decline steadily. As warehouse stores and supercenters continue to expand, their increasing dominance will likely force more structural changes in the retail trade industry. □

Notes

¹ Richard S. Bragaw, "Pioneering the Wholesale Club Concept," *Discount Merchandiser*, November 1990, pp. 42, 44, 48.

² *Ibid.*, p. 42.

³ Information about Carrefour and its corporate holdings is available on the Internet at <http://www.carrefour.com/english/groupecarrefour/ouverturesMagasins.jsp>. See also "Carrefour SA: Retailer's Revenue Rises 3.9 percent on Growth at Hypermarkets," *The Wall Street Journal* (eastern edition), Apr. 13, 2005, p. 1. The largest retailer in the world is Wal-Mart.

⁴ Daniel J. Sweeney, "Warehouse Clubs! Hypermarkets! Supercenters!" *Retail Business Review*, November 1992, p. 18.

⁵ Jay L. Johnson, "Hypermarkets and Supercenters: Where Are They Heading?" *Discount Merchandiser*, November 1989, pp. 60–63.

⁶ Data on employment presented in this article are from the Current Employment Statistics (CES) program, which surveys 160,000 nonfarm businesses representing about 400,000 establishments monthly. All data are through June 2005. For more information on the program's concepts and methodology, visit <http://www.bls.gov/opub/hom/pdf/homch2.pdf> on the Internet.

⁷ For industry definitions, see *North American Industry Classification System: United States, 2002* (Executive Office of the President, Office of Management and Budget, 2002); on the Internet at <http://www.census.gov/epcd/www/naics.html>.

⁸ For an explanation of NAICS and the methodologies used by the CES program to reconstruct historic estimates, see Teresa L. Morisi, "Recent changes in the national Current Employment Statistics survey," *Monthly Labor Review*, June 2003, pp. 3–13; on the Internet at <http://www.bls.gov/opub/mlr/2003/06/art1full.pdf>.

⁹ The detailed category of all other general merchandise stores was excluded from the analysis because it represents no single identi-

fiable retail market. Furthermore, employment in all other general merchandise stores represents a much smaller portion of employment in general merchandise stores than does any of the other three detailed categories: department stores, except discount; discount department stores; and warehouse clubs and supercenters.

¹⁰ For the analysis presented in this article, data have been reconciled to match NAICS 2002 definitions. Definitions of department stores, except discount, and of discount department stores differ slightly from the NAICS 1997 definition. The category of warehouse clubs and supercenters (NAICS 452910) is shortened to supercenters; that of department stores, except discount (NAICS 452111), is shortened to traditional department stores; and that of discount department stores (NAICS 452112) is shortened to discounters.

¹¹ Economic Census 2002 (U.S. Census Bureau, 2002), on the Internet at <http://www.census.gov/econ/census02/>.

¹² *Wal-Mart 2005 Annual Report*, on the Internet at <http://www.walmartstores.com/Files/2005AnnualReport.pdf>.

¹³ *Ibid.*

¹⁴ *Target Corporation Annual Report 2004*, on the Internet at http://media.corporate-ir.net/media_files/irol/65/65828/reports/2004_TGT_annual.pdf.

¹⁵ The most current data available in the Annual Survey of Retail Sales are for 2004. Data from the survey were deflated with the BLS CPI-U series for 1982–84 = 100.

¹⁶ Grocery stores account for more than 90 percent of sales in the food and beverage industry.

¹⁷ For the purposes of this article, supermarket commodities include groceries, meals, beer, wine, liquor, tobacco, cleaning supplies, and paper products.