

Social Supermarkets: Typology within the spectrum of Social Enterprises

Dr. Christina Holweg, MBA Eva Lienbacher, Prof. Dr. Peter Schnedlitz
WU Vienna University of Economics and Business, Institute for Retailing and
Marketing

Abstract

Social supermarkets (SSMs) play an increasingly important role in the Austrian retail scene. They sell food and consumer goods which they receive for free from manufacturers and retailers at a 70 percent discount rate to people at risk of poverty.

This paper aims firstly to describe the phenomenon of SSMs in a retailing context and benchmarks it to other retail types with social mission as e.g. Charity Shops. Secondly, and in lack of literature on the topic, SSMs are related to theory and classified within a broader context of interorganisational relationships.

Keywords: Social Supermarket, Charity Shop, Second-Hand Shop, Thrift Store, Food Bank, Non-Profit Organisation, Interorganisational Relationship

Introduction & Research Question

Relationships between organisations represent a vast field of theoretical and empirical studies since decades. Whilst the focus has been on interorganisational relationships between similar types of organisations, e.g. business to business or non-profit to non-profit, more recent studies focus on relationships developed between business and non-profit organisations (Austin 2000; Seitanidi and Ryan, 2007). This development is attributed to several trends within society which foster a rise in cross-sectoral partnerships: The failure of state economics, the rise of global capitalism, the decreased role of the government and the weakened status of the civil sector (Googins and Rochlin, 2000).

The majority of the empirical studies on non-profit organisations are related to the sectors of Health, Human Service or Education. The Retailing sector - amongst many others - is hardly covered (Abzug 1999). In the recent past, cross-sectoral partnerships are also forming in the retailing sector (Gupta and Pirsch, 2008).

An initiative that represents a good example of an interorganisational relationship between retailers, manufacturers and governmental institutions are so called Social Supermarkets (SSMs). Most SSMs operate as non-profit organisations according to the definition of Salamon and Anheier (1992; 1997). They can be compared to traditional supermarkets as they primarily sell food and consumer products and offer similar service in store. Their main difference compared to traditional supermarkets is threefold: Firstly, SSMs offer a very limited assortment. The merchandise consists of surplus products, given for free by retailing and manufacturing companies. These products are still consumable, but not sellable (e.g. expiration date, wrong labels, slightly damaged). If not consumed, most of it would turn into waste. Secondly, access is limited to people at risk of poverty. This is controlled with the help of identification cards. Thirdly, prices are significantly lower with approximately 30-50% off regular market prices.

The beginning of SSMs coincides with the vast expansion of Charity Shops (CS) in the UK in the 1990ies. Following various start-up issues, the concept quickly expanded throughout

Austria (about 60 markets in 2010; opening of further markets is planned), as well as e.g. to other European countries as France or Germany.

Despite their rapid expansion, the concept of SSMs has not yet been covered in academic literature. Following a literature search, similar retail concepts which can be characterized by different forms of interorganisational relationships do exist, e.g. Charity Shops (e.g. Horne 2000, Horne and Maddrell 2002; Broadbridge and Parsons 2003a, b), Secondhand Shops (Darely and Lim 1999) or Foodbanks (Global Foodbanking Network 2010), the latter not being a type of stationary retail outlet. In the lack of a comprehensive description, SSMs are therefore defined as:

„Social Supermarkets receive surplus food and consumer goods from partnership companies (e.g. manufacturers, retailer) for free and sell it at symbolic prices to a restricted group of people living in or at risk of poverty“.

The development and phenomenon of Social Supermarkets can be covered by several theories from e.g. organisational theory, stakeholder theory, resource-based theory, trust-related theory or entrepreneurship theory. This paper builds on the widely used model of Austin (2000) which envisions relationships between business and non-profit organisations on a so called collaboration continuum. Therein the nature of the collaboration ranges from a pure *philanthropic* stage to a *transactional* and finally an *integrative* stage. On the philanthropic stage the nature of the relationship between organisations is described by e.g. a low level in engagement, infrequent interactions or simple managerial complexity. Seitanidi and Ryan (2007) build on this model by classifying different forms of corporate community involvement.

The objective of the paper is to place SSMs in an theoretical context for the first time. The following research questions can be derived:

Q: How can SSMs be classified on the continuum from social enterprises to purely commercial enterprises.

According to a literature review, the following retail types have a social mission and come as close as possible to SSMs: (1) Charity Shop (CS), (2) Secondhand Shop (SHS), (3) Worldshop (WS) and (4) Foodbank (FB).

Typology: SSMs in the Context of Social Enterprises

This very general collaboration continuum by Austin (2000) is put into the Retailing context in order to classify SSMs within the various forms of retail formats that follow a charitable or social objective. Similar to Austin's model, Dees (1998) and Horne (2000) develop a spectrum for non-profit organisations with three types, i. e. enterprises with a purely philanthropic mission, enterprises with a mix of both a philanthropic and commercial mission and enterprises with a purely commercial mission. Table 1 illustrates the various types of alternative retailers on this spectrum:

Table 1: A Typology: SSMs within the ‘Social Enterprise Spectrum’

Motives & Mission			Purely Philanthropic			↔	Purely Commercial		
			Social service orientation 1. Appeal to goodwill 2. Social service 3. Social value			1. Mixed motives 2. Mission and market driven 3. Social and economic value			Commercial service orientation 1. Appeal to self-interest 2. Market driven 3. Economic value
Key Stakeholder	(1) Food Banks	(2) Social Supermarkets	(3) Charity Shops	(4) Secondhand Shops	(5) Worldshops	(6) Traditional commercial Shops			
	Beneficiaries	Benefit	Pay nothing	Pay „symbolic“ prices	Pay (well) under market prices	Pay under market prices	Pay market prices	Pay market prices	
		Target Group	Poor people (free access)	Poor people (limited access)	Open access	Open access	Open access	Open access	
	Workforce		Volunteers	(Mainly) volunteers	Volunteers and paid workforce (below market-rate)	(Mainly) paid workforce (close to market-rate)	(Mainly) paid workforce (close to market-rate)	Paid employees (at market-rate)	
	Suppliers	Donation/contribution	In-kind donations	In-kind contribution	Donated goods, special discount goods, bought-in merchandise	Special discount goods , bought-in merchandise	Market rate prices, special discount goods	Market rate prices	
		Product type	(Primarily) Food	(Primarily) Food	Durable goods	Durable goods	Food & durable goods	Food & durable goods	
	Authority		No taxes, subsidies	No taxes, subsidies	Mix of no/reduced taxes, discretionary rates	Market-rate taxes and rates	Market-rate taxes and rates	Market-rate taxes and rates	

Source: adapted from Austin (2000), Dees (1998), Horne (2000)

(1) In the past 25 years charitable **Food Banks** have emerged all over the world (Global Foodbanking Network 2010; Mabli et al. 2010; Normann 2009). According to the national report ‘Hunger in America 2010’ a FB can be defined as: “a charitable organisation that solicits, receives, inventories, stores, and distributes donated food and grocery products to charitable agencies that directly serve needy clients. These agencies include churches and qualifying non-profit charitable organisations” (Mabli et al. 2010). FBs in other countries follow this definition (see Foodbank Australia 2010; Foodbank Canada 2010; Global Foodbanking Network 2010).

FBs, on the left side of the spectrum (see table 1) are characterized by their pure social orientation aiming at giving surplus food to poor people for free. Access is open and social accuracy can be assumed as beneficiaries are mainly homeless people or the very poor. The nature of relationship between FBs and their cooperating companies is mostly philanthropic requiring a small level of resources and having a narrow scope of activities.

(2) Social Supermarkets follow a similar social intention as FBs by also distributing surplus food. The main difference to FBs is the limited access to people living in or at risk of poverty and that symbolic prices are charged. The low prices on food aim at reducing their cost of living. The operations of FBs and SSMs are strongly dependent on volunteers and both receive tax reliefs as well as subsidies from governmental authorities.

The nature of relationship of SSMs with their partners can be classified on the continuum between the philanthropic and transactional stage depending on e.g. the frequency of interaction or managerial resources involved. In reference to the classification of different forms of corporate community involvement by Seitanidi and Ryan (2007), SSMs can be characterized as a form of sponsorship, Cause Related Marketing or Partnership. These forms require a more intensive cooperation compared to pure donations as they aim at e.g. meeting social needs, increasing sales for the company or transferring resources. This is also reflected in the terminology of SSMs as they regard the products received as *contributions* and not *donations*.

(3) Charity shops are a well established retail format with approx. 6000 shops at the beginning of the 21st century in the UK (Horne 2000). Initial studies give an overview about the very heterogeneous sector of Charity Shops in terms of development and size of this market (Horne 1998; Parsons 2002), as well as a classification of shops (Horne and Broadbridge 1995, 1993; Parsons 2004, 1999). Several studies are dedicated to the key operational aspect of working with volunteers (Madrell 2000; Whithear 1999; Goodall 2000; Broadbridge and Parsons 2003; Parsons 2004; Horne and Broadbridge 1994). The evolution of CS towards professionally managed retail stores with paid managers and the respective consequences on retail mix instruments are investigated by Paddison (2000), Broadbridge and Parsons (2003a), Parsons and Broadbridge (2004) and Proen  a and Pereira (2008). Further literature is related to financial aspect of charities (Phelan, Lamont and Howley, 1998) and most recently to the topic of alternative consumption in a geographical context (Goodman and Bryant 2009).

CSs are slightly more commercially orientated than SSMs in that they aim at generating revenues for their respective Charities. Within the various types of CSs, Hospice charities follow a very social and charitable mission whilst CSs like Oxfam are managed as purely commercial stores (Parsons 2004). Their workforce is mainly paid, all products are bought-in and support from authorities in terms of tax reliefs or reduced rent is limited.

From the interorganisational perspective this shows the move of CS towards a more transactional relationship with their partnering companies requiring a bigger amount of resources as well as higher managerial complexity.

(4) Secondhand Shops, also called thrift stores or used merchandise stores, are an established retail format (Coughlan et al. 2006). SHSs sell used items of durable goods including clothing, toys, books, music or furniture. Their main difference to CSs is that they are economically managed companies without the benefit of tax reliefs and that their assortment is actively managed thus not depending on donations. They are not as inhomogeneous as sector compared to CS and operate in the broader retail context of so called secondary markets which also include brokers and jobbers. There is evidence that SHS underlie similar success criterion as conventional stores in terms of the importance of e.g. quality of merchandise or store image (Darley and Lim, 1999). Apart from the key benefit of lower prices, a specific characteristic for shoppers of SHS is the reported pleasure of browsing and the fact that SHS offer historical products which can be of individual and emotional benefit to shoppers (Chattoe 1999).

With regard to interorganisational relationships, SHSs can be classified between the transactional and integrative stage. The scope of activities is broader, the interaction level and level of engagement higher.

(5) Worldshops operate very similar to traditional commercial shops on the right side of the spectrum. They however stand out by their mission to support fair trade practices on local as well as international levels. This is mainly reflected in their assortment of food and consumer goods with stem from suppliers that operate under fair trade principles.

WS serve as good example for relationships that can be described as integrative on the collaboration continuum. Their interaction level with partnering companies is high, also fostered by the fact that most partners are located abroad in third-world countries. Further, the relationship is of high strategic value to both partners.

(6) Traditional commercial shops as e.g. supermarkets, on the right side of the spectrum, are market-driven primarily aiming at generating commercial value. This however does not exclude their engagement in social activities (e.g. supporting social oriented organisations within CSR-activities). Thus, the nature of relationship from an interorganisational perspective can range from philanthropic to integrative which depends on the type of cooperation with non-profit organisations.

Conclusion & Outlook

This paper gives a detailed overview about the phenomenon SSMs. It further puts SSMs in a theoretical context by relating it to the various stages of interorganisational relationships that exist between profit oriented and non-profit oriented organisations. The unique characteristics of SSMs and their classification within the spectrum of retailers with a social mission confirm that SSMs can be regarded as a new type of retailer.

Consequently, empirical findings from interorganisational studies can also be applied to SSMs. For instance, the need to define the value of the cooperation to each partner (Austin 2000), the need for market orientation (Bennett 1998) or strategic orientation towards stakeholders (Slater and Narver 1990) will be essential to SSMs. Importantly, as the ‘business model’ of SSMs is fully dependend on contributions from retailers and manufacturers.

Following the theoretical classification of SSMs both in a general organisational as well as in a retailing context, further research aims to quantify and describe the phenomenon of SSMs in regards to their operations (e.g. transaction volume, logistics) and key stakeholders (e.g. workforce, authorities, suppliers) in more detail. Therefore a survey amongst all national SSMs in Austria was conducted in May 2010. Empirical results will be available in November 2010 and could be presented at ANZMAC 2010 in New Zealand.

References

- Abzug, R., 1999. Nonprofits in Organisational Sociology's Research Traditions: An Empirical Study. *Nonprofit and Voluntary Sector Quarterly*, 28 (3), 330-338.
- Austin, J. E., 2000. Strategic Collaboration between Nonprofits and Businesses. *Nonprofit and Voluntary Sector Quarterly*, 29 (1), 69-97.
- Benett, R., Sargeant, A., 2005. The nonprofit marketing landscape: Guest Editors' introduction to a special section. In: *Journal of Business Research*, 58, 797-805.
- Broadbridge, A., Parsons, L., 2003a. Still serving the community? The professionalisation of the UK charity retail sector. *International Journal of Retail & Distribution Management* 31 (8), 418-427.
- Broadbridge, A., Parsons, L., 2003b. UK Charity Retailing: Managing in a Newly Professionalised Sector. *Journal of Marketing Management* 19, 729-748.
- Chattoe, E., 1999. Charity shops as second-hand markets. *International Journal of Nonprofit and Voluntary Sector Marketing* 5 (2), 153-160.
- Coughlan, A. T., Anderson, E., Stern, L. W., El-Ansary, A. I., 2006. *Marketing channels*. 7. Upper Saddle River, NJ: Pearson Prentice Hall.
- Darley, W. K., Lim, J.-S., 1999. Effects of store image and attitude toward secondhand stores on shopping frequency and distance traveled. *International Journal of Retail & Distribution Management* 27 (8), 311-318.
- Dees, G., 1998. Enterprising Nonprofits. *Harvard Business Review* 76 (1), 55-67.
- Foodbank Australia, 2010. What does Foodbank in Australia do? Accessed on 11th April 2010, <http://www.foodbank.com.au>.
- Foodbank Canada, 2010. Welcome to food banks Canada. Accessed on 11th April 2010, <http://foodbankscanada.ca/main.cfm>.
- Global Foodbanking Network, 2010. What is Food Banking? Accessed on 11th April 2010, <http://www.foodbanking.org/about/foodbanking.html>.
- Goodall, R., 2000. Organising cultures: Voluntarism and professionalism in UK charity shops. *Voluntary Action*, 3 (1).
- Googins, B., Rochlin, S. A., 2000. Creating the Partnership Society: Understanding the Rhetoric and Reality of Cross-Sectoral Partnerships. *Business Society Review*, 105 (1), 127-144.
- Goodmann, M., Bryant, R., 2009. The Ethics of Sustainable Consumption Governance: Exploring the Cultural Economies of 'Alternative' Retailing. Environment, Politics and Development Working Paper Series. Department of Geography, King's College London, Paper 15. Accessed on 11th April 2010, <http://kcl.ac.uk/content/1/c6/03/95/42/GoodmanBryantWP15.pdf>.
- Gupta, S., Pirsch, J., 2008. The influence of a retailer's corporate social responsibility program on re-conceptualizing store image. *Journal of Retailing and Consumer Services* 15 (6), 516-526.
- Horne, S., 2000. The charity shop: Purpose and change. *International Journal of Nonprofit and Voluntary Sector Marketing* 5 (2), 113-124.
- Horne, S., 1998. Charity shops in the UK. *International Journal of Retail & Distribution Management* 26 (4), 155-161.
- Horne, S., Broadbridge, A., 1995. Charity shops: A classification by merchandise mix. *International Journal of Retail & Distribution Management* 23 (7), 17-23.

- Horne, S., Broadbridge, A., 1994. The charity shop volunteer in Scotland: Greatest asset or biggest headache? *Voluntas: International Journal of Voluntary and Nonprofit Organisations* 5 (2), 205-218.
- Horne, S., Broadbridge, A., 1993. From rags to riches: a classification of charity shops. Working Paper 9302, Research Papers in Retailing, Institute for Retail Studies, Accessed on 15th April 2010, http://www.irs.stir.ac.uk/pdf/Working_papers/9302.pdf.
- Horne, S., Maddrell, A., 2002. Charity Shops. Retailing, consumption and society. Routledge.
- Mabli, J., Cohen, R., Potter, F., Zhao, Z., 2010. Hunger in America 2010. National Report Prepared for Feeding America. Accessed on 11th April 2010, http://feedingamerica.issuelab.org/research/listing/hunger_in_america_2010_national_report.
- Madrell, A. M. C., 2000. 'You just can't get the staff these days': The challenges and opportunities of working with volunteers in the charity shop – An Oxford case study. *International Journal of Nonprofit and Voluntary Sector Marketing* 5 (2), 125-139.
- Normann, K., 2009. Contribution of non profit organisations to reduction of food poverty. In: Lechner, P. (Ed.): Prosperity Waste and Waste Resources. Proceedings of the 3rd BOKU Waste Conference. Facultas, 65-74.
- Paddison, A., 2000. Charity shops on the high street: Complementarity or unwanted neighbor? *International Journal of Nonprofit and Voluntary Sector Marketing* 5 (2), 161-172.
- Parsons, E., 2004. Charity Retailing in the UK: A typology. *Journal of Retailing and Consumer Services* 11 (1), 31-40.
- Parsons, E., 2002. Charity retail: Past, present and future. *International Journal of Retail & Distribution Management* 30 (12), 586-594.
- Parsons, E., 1999. New goods, old records and second-hand suits: Charity shopping in South-West England, *International Journal of Nonprofit and Voluntary Sector Marketing* 5 (2), 141-151.
- Parsons, E., Broadbridge, A., 2004. Managing Change in Nonprofit Organisations: Insights from the UK Charity Retail Sector. *Voluntas: International Journal of Voluntary and Nonprofit Organisations* 15 (3), 227-242.
- Phelan, D., Lamont, H., Howley, P., 1998. Charity shops sailing fait – but storm blot retail horizon, *NGO Finance: Charity shops survey 1998*, 2-13.
- Proen  a, J. F., Pereira, I. V., 2008. Exploring the consumption of charity-linked products. *International Review on Public and Nonprofit Marketing* 5, 53-69.
- Seitanidi, M. M., Ryan, A., 2007. A critical review of forms of corporate community involvement: from philanthropy to partnerships. *International Journal of Nonprofit and Voluntary Sector Marketing*, 12, 247-266.
- Slater, S.F., Narver, JC., 1990, The effect of a market orientation on business profitability. *Journal of Marketing*, 54 (4), 20-35.
- Whithear, R., 1999. Charity shop volunteers: A case for 'tender loving care'. *International Journal of Nonprofit and Voluntary Sector Marketing* 4 (2), 107-120.