

Pareto shares for retailers and product categories and the relationship with purchase frequency

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Abstract

We investigate the Pareto Ratio (% of sales from heaviest-spending 20% of households) firstly for the entire grocery sector (all retailers, many categories in a country-market), and subsequently for specific supermarket retailers and for product categories, and for product categories within retailers. Our objective is to investigate whether the Pareto ratios differ between retailers and across product categories. We employ household purchasing panel data for the UK. We find the heaviest 20% of grocery customers account for 39% of total sales. However, the Pareto Ratios are far higher for specific retailers and for specific product categories. To understand this phenomenon, we relate the Pareto shares to average purchase frequencies per category and conclude that they are negatively correlated when we aggregate across chains but are positively related when we do not aggregate. We provide a possible explanation for this intriguing result and call for further research on this point.

Keywords: *Pareto share; retailers; product categories*

Track: Retailing & Omni-Channel Management