PROCEEDINGS
The Second Annual

OHIO FOOD MERCHANDISING
CONFERENCE

MARCH, 1963

The Department of Agricultural Economics and Rural Sociology
Cooperative Extension Service
THE OHIO STATE UNIVERSITY
FORWARD

The Second Annual Food Merchandising Conference was designed to help food retailers, wholesalers, suppliers and manufacturers become more fully aware of the significance of changes that are taking place in food distribution. The objective of the conferences was to create more understanding of the changes taking place in food distribution, to increase understanding of alternatives when adjusting to change, and to develop greater understanding of relationships with people: suppliers, employees and customers.

The theme of the second conference, "Progress Through Understanding" and the first conference, "Greater Profits Through Increased Knowledge", illustrate the nature of this educational endeavor.

Plans for the Third Annual Food Merchandising Conference to be held March 3 and 4, 1964, will be finalized by the time you receive this report. We will be looking forward to seeing you March 3 and 4.

Food Merchandising Specialists

Bruce W. Marion
Richard W. Skinner
Vern A. Vandemark
THE SECOND ANNUAL OHIO FOOD MERCHANDISING CONFERENCE

Sponsored by the Cooperative Extension Service
and
The Department of Agricultural Economics and Rural Sociology
The Ohio State University, Columbus, Ohio
March 4-5, 1963

"PROGRESS THROUGH UNDERSTANDING"

Monday Morning

General Session
Chairman: W. D. Iott, President and General Manager, Seaway Food Town Super Markets, Toledo

Welcome: Dr. Roy M. Kottman, Dean, College of Agriculture and Home Economics, The Ohio State University

Address: "MASS MERCHANDISING AND ITS IMPACT ON FOOD RETAILING"
George E. Kline, Executive Editor, Progressive Grocer

Panel: Moderator--Leo Mintz, Vice President and Advertising Director, Grocers' Beacon
"MASS MERCHANDISING--THERE IS MORE THAN MEETS THE EYE"

Andy Choat, General Manager, Food, Clarkin's Carrousel, Canton
Cal Mayne, Owner-Operator, Dorothy Lane Super Centers, Dayton and Cincinnati
Wayne S. Wolf, President and General Manager, Perskey's of Alliance and Super Discount, Massillon

Luncheon
Chairman: Wade H. Carden, Division General Manager, Colonial Stores, Columbus

Luncheon Speaker: Mr. B. C. Ames, McKinsey and Company
"HIGHLIGHTS OF THE McKinsey REPORT; IMPROVING MANUFACTURER-SUPPLIER-RETAILER RELATIONS THROUGH IMPROVED UNDERSTANDING AND COOPERATION"

Monday Afternoon

Workshop Sessions (Each registrant will make own selection)

Session A: Chairman: Franklin D. Sparks, Vice President, Ohio Retail Food Dealers Association
"THE ROLE OF THE SUPERMARKET MANAGER"
Dr. Earl Brown, Michigan State University
Session B: Chairman: William A. Stautberg, Stegner Food Products Company, Cincinnati
"IMPROVING SUPPLIER-WHOLESALER-RETAILER RELATIONS"
A panel moderated by Dr. Alton Doody, Department of Business Organization, The Ohio State University
B. C. Ames, McKinsey and Company
Mike Knilans, Vice President, General Sales Manager, Big Bear Stores
Jack Kennedy, Kennedy's Super Valu, Xenia
Paul R. Parrette, Manager Trade Relations, Procter and Gamble
A. G. "Bud" Swinton, Smith and Swinton Company, Food Brokers, Cleveland
R. H. "Bob" Jentes, President, General Manager, and Merchandise Manager, McClain Grocery Company, Massillon

Session C: Chairman: Dr. Ralph Sherman, Professor of Agricultural Economics, The Ohio State University
"USING WORK SIMPLIFICATION AND LABOR SCHEDULING IN YOUR BUSINESS--THE PRACTICAL APPROACH"
James F. Ritchey, Area Marketing Agent, Cornell University

Monday Evening

Banquet
Master of Ceremonies: Dr. Riley Dougan, Leader of Agriculture, Farm and Industry, Cooperative Extension Service, OSU
Banquet Address: "MEETING THE CHALLENGE OF CHANGE"--Ted Shamie, President and Associate Editor, Shamie Publications

Tuesday Morning

General Session
Chairman: Harold Templeton, Vice President, Columbus Division, Kroger Co., "MANPOWER DEVELOPMENT PROGRAM"
Joel M. Vanderford, Campbell Sales Company

"BUYING HABITS AND ATTITUDES OF SUPERMARKET SHOPPERS--HOW MAY THE FOOD TRADE UTILIZE THIS INFORMATION?"
Ben L. Schapker, Merchandising Director, Burgoyne Index, Inc., Cincinnati

"MOTIVATING THE CONSUMER"
Henry V. Courtenay, Specialist in Consumer Economics, Purdue University

Luncheon
Chairman: Dr. Mervin Smith, Chairman, Department of Agricultural Economics and Rural Sociology, The Ohio State University

Luncheon Speaker: "ETHICS IN BUSINESS"
Dr. Robert Bartels, Professor of Business Administration, The Ohio State University
Tuesday Afternoon

General Session
Chairman: Frank Heiser, Executive Director, Ohio Retail Food Dealers Assoc.

"MANPOWER DEVELOPMENT PROGRAM" (continued)--Joel M. Vanderford

"PEOPLE ARE OUR BUSINESS"

"A LOOK AHEAD"
Bruce W. Marion, Extension Specialist, Food Merchandising, OSU
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W.D. IOTT:

It is a pleasure this morning to greet you and to welcome you to the Second Annual Ohio Food Merchandising Conference. As I look at the audience, it is amazing to realize that an educational conference in only the second year of its existence could attract so many people in the food trade.

We have represented here only a sampling from the several thousand food trades people in Ohio who would benefit from attending this conference. When I looked over the program several weeks ago, I was quite impressed by the thoroughness with which the conference has been planned and organized. The program was obviously planned to meet the needs, wants, and interests of all of us in the food trade. I am happy to see the wide representation from the food industry that is indicated in the list of participants.

The food trade in Ohio is fortunate to have in their midst an educational institution with the facilities and the interest that is exhibited here in working with the food trade. In behalf of those assembled, I would like to express our appreciation to the Cooperative Extension Service, and the Department of Agricultural Economics and Rural Sociology at the College of Agriculture here at Ohio State for their efforts in making this conference a reality. Credit is also very much in order to the firms and individuals who have contributed so generously their time and resources to participate in the program. It takes real cooperation combined with a lot of effort to organize and conduct such a conference. We thank all of those who have made it possible.
DEAN ROY M. KOTTMAN:

We're happy to have this opportunity of working with Ohio's food merchandisers. I am pleased that you folks thought well enough of the session we had here a year ago so that you're back again this year in substantial numbers to take part in this second one. I hope that this conference will be helpful to each and every one of you. From the standpoint of our staff members, I can assure you that we are pleased that we can be of service to your industry. We're confident that we can be helpful and we're certain that working together with the various segments of Ohio's food industry, we can do a better job for all of you who are in the merchandising field.

Our research and educational efforts in agriculture and home economics as well as in other departments of the university, serve directly a complex of food industries which together employee about 20 percent of our working force in Ohio. I have just been noting from the 1962 figures put out by the Industrial Development Department of the Ohio Chamber of Commerce, the fact that 34 percent of total retail sales in Ohio for 1961 were accounted for either in direct purchases of food, or in purchases made in eating and drinking pleasures. Thirty-four percent of all retail sales for food essentially. Over $3 billion in food purchases for home consumption and almost $1 billion spent under the category of purchases and eating and drinking places in Ohio for the year 1961.

I think it behooves all of us in agriculture to become increasingly aware of the rapid increase in population which is taking place in our state. There's good reason to believe that we will have an increase of about 2 million people in Ohio during the present decade. I don't see how we could be in a better business than to be in this food business. It's dynamic, it's expanding, it's a highly competitive part of our over-all economy. The thing that we have to keep in mind, I think, is that we will have here in this state, just 12-15 years away, a demand annually for seven and one-half billion more pounds of food. That's a whale of a lot of food. I am most interested in doing everything we can to enhance the over-all welfare of Ohio's economy through the production of food, the processing of it, and the distribution of it by Ohio citizens.

Well, I'm real pleased to have the opportunity to welcome you back here again and to express the hope that we can work with you on not only this second annual conference, but on many, many more in the future, that you will be aware of the fact that we do research and education across many, many fields that effect the retailing of food as well as all of the stages in the production and the processing. It's our business to help the food business in Ohio. We're glad that you're letting us help you. Now, I'm not satisfied that we're doing nearly enough and I hope you call on us for more. We'll try to do our best. Thank you very much.
George E. Kline is Executive Editor of Progressive Grocer for the past 14 years. He had worked first as production editor, then as an executive editor, managing editor, and currently as executive editor and vice-president. During the past 12 years he has written on all phases of supermarket operation. He has worked closely with Bob Mueller on the planning, developing, and reporting on the Providence, Foodtown, Super Valu and Dillon Studies.

"MASS MERCHANDISING AND ITS IMPACT ON FOOD RETAILING"
George E. Kline, Progressive Grocer, New York

When I first sat down to contemplate this talk, the title, "Mass Merchandising and Its Impact on Food Retailing" struck me as being rather curious. I have become so accustomed to thinking of the terms "mass merchandising" and "food retailing" as synonymous that I couldn't see how one could affect the other.

When I began to consider some of the broader meanings of "mass merchandising", however, the implications of the title became clear. Of the many meanings that can be read into the phrase, I saw two that I feel are particularly applicable to the discussions you will be hearing here for the next two days.

First I see "mass merchandising" as indicative of the new type of retail entrepreneurs who are generally referred to as Discount House operators. Secondly, I see "mass merchandising" as symbolic of the real physical mass of supermarket competition that has developed throughout the nation since World War II.

It is in the context of these two interpretations of mass merchandising that I want to develop my comments.

Let me say at the outset that it is not my intention to be critical of discounters, or of supermarket operators either for that matter. I merely want to offer some pertinent thoughts for your consideration. If in doing so I appear to be building a case for or against discounters or supermarket operators, I want to assure you that no such implication is intended.

It does seem that today one can't escape the clamor and glamour that centers around a type of store that was almost unheard of just 10 years ago. Discount houses have been the subject of so much discussion, both formal and informal, during the past two or three years that those who prefer sex as their favorite topic for discussion are becoming alarmed. The two topics do have a common denominator, in that statements on either subject are usually spiced with a degree of exaggeration.

From an objective viewpoint, one gets the feeling that a foreigner hearing all the excited talk about discounting could get the impression that U.S. retailing was being taken over by the discounters; that a revolutionary upheaval was at hand in distribution; that some new form of marketing had been discovered that would move merchandise from manufacturer to consumer cheaper than ever before.

This we know is a false picture. What then are the facts about discounting?
Estimates from discount sources indicate that there were in operation in 1961 about 2,000 stores which by virtue of size, merchandise lines and name, qualify as Discount Houses. These stores accounted for approximately $4.4 billion in total sales and $2.0 billion in food sales. The picture for 1962 looks something like this. Five hundred new stores, adding 75 to 100 million sq. ft. to floor space helped boost discount sales to around $7 billion. If the food share of this volume followed the established pattern, the discount operators rang up approximately $3.3 billion in food sales in 1962. This would amount to nearly 6% of total grocery and combination store sales for last year. These figures on food volume are about three times higher than our estimate at Progressive Grocer, but for the sake of argument, I'm using the discount industry's own estimates for the moment.

In the next 10 years discounters are predicting $20 to $25 billion dollar sales, which will include 25% of all apparel, general merchandise and home goods and 15% of food sales. According to present projections, food sales 10 years from now should be in the neighborhood of $80 billion. Fifteen percent of that would amount to over $12 billion. Thus, while the discounters' share of the food business has doubled during the past two years, they themselves do not expect to keep up this pace in future years. While the food industry as a whole can expect to share $28 billion in new volume by the end of the next decade, the discounters predict a gain of around seven-and-a-half billion.

It is interesting to note also that despite all the furor about discounters entering the food business, only slightly more than one-third of all discount centers contained super markets in 1961. An explanation for all the excitement is visible in the fact that 60% of the discount centers in operation today are less than three years old. Also more discount houses have added food departments in the past three years than in all the time between 1945 and 1960. Thus the general pattern of supermarket development as a part of the discount center has been accentuated by the breakneck speed with which the discount center itself has grown during the past few years.

Of the discount centers that do include super markets, it is estimated that 55% are operated by the discounters themselves and 45% are leased out to outsiders.

By far the most controversial of all current factors relative to the discount house development is the supermarket as a department in these stores.

First of all, should there be a supermarket in the center? If so, should the department be leased? Or should it be owner-operated? Should it be a complete carbon copy of the standard supermarket or should it be a streamlined, limited-variety type of offering?

Should shoppers check out foods and non-foods separately? Or through central checkstands? Should the food operation be run to show a profit? Or should it be employed as a customer draw or loss-leader for the non-foods departments?

Within the supermarket, should all items be discounted across the board? Or should certain items and categories of merchandise be selected as loss leaders with the rest priced at competitive supermarket prices?
Of course, there is no single answer to any of these questions, because there is no "ideal" food department arrangement for the discount operation any more than there is an "ideal" supermarket operation, or an "ideal" chain store outlet or company or an "ideal" food distribution set up.

What is ideal for one discounter may be disastrous for another. As in all food retailing, the ideal arrangement depends greatly upon the characteristics of the store location, the nature of the community, traffic patterns, the strengths and weaknesses of competitors, the age, family-size, socio-economic level, and mobility of customers and many other factors that must be weighed into the development of a winning image in any type of business.

The one over-riding characteristic that must be present, however, is the same one that is boosting the discounter to a position of prominence on the retail map. This, of course, is a low-price image. Unquestionably, it is on the matter of price that the discounter has exerted the greatest influence on the traditional supermarket operator.

Fundamentally, the discounter has not been an innovator of more efficient food merchandising techniques. He has not developed any revolutionary cost cutting food distribution systems. He has not added any new dimensions to food retailing. But he has capitalized upon the food retailers' abdication of the role of low-price merchandiser. I think we can safely say that the discount operator never set out originally to enter the food business. His entry into it was dictated more from a defensive attitude than from offensive strength. In short, he needed the customer magnetism that food provides. And he was quick to perceive the fact that the food retailers had developed a sort of middle-age fat in his pricing policies. The supermarket operator had become vulnerable, of all places, in price merchandising, the feature that has made him world famous.

The reasons why the discounter entered the food retailing picture are not particularly important. The fact is he is in and his presence is stimulating a panorama of reactions among supermarket operators.

While the discounter to some extent has been the catalyst in this situation, other factors, completely within the food industry have been equally responsible for the new looks that are now being developed by supermarket operators.

Over the past seven or eight years, profitability in supermarket operations has been squeezed to the near breaking point. This squeeze has been the result of a general increase in operating expenses. Labor, advertising and promotion expenses with the emphasis on trading stamps have all gone up.

Although the supermarkets get 70% of the consumers' food dollar, the percent of disposable income spent on food is declining.

The industry's rate of growth has dropped considerably since 1951. In that year, the growth rate was 17.5% while in 1962 the growth rate was 5.1%.
Since 1951, the number of supermarkets has increased $3\frac{1}{2}$ times faster than the general population growth. Accompanying this rapid growth in physical facilities has been an almost predictable decline in sales per square foot, increase in gross profit rate and a decline in net profits.

Faced with circumstances such as these, within the world of food retailing, there is little wonder that the discounter's plunge into the snake pit of food competition has given the supermarket operator a whole new set of deeply furrowed wrinkles in his brow.

If the future is in any way mirrored in the past, then we can look for the food retailer to respond, as they say on the new frontier, with vigor. We don't have to look very hard to see that many of the major retail revolutions of the past 30 years were sparked by food retailers. Self-service of food and of non-foods for that matter got their baptism in the food outlet. In the 1930's, the supermarket introduced the whole concept of low-margin retailing. The one-stop self-service shopping concept was introduced by the supermarket. No other retailer moved to the suburbs, to the shopping centers, to the highways so rapidly as did the supermarket.

Although we cannot be certain that all change is progress, there's no doubt about the fact that everything that exists is in a constant state of becoming something else. Of course, supermarkets and those who operate them are no exception. Although change is inevitable, it is not naturally acceptable to all people. Those who do not expect change are frightened by it. It's been a long time since I met a frightened food retailer.

What then has been the supermarket's reaction to these pressures, both from within and from outside the food retailing community.

Because of discount house competition, some supermarkets are recoiling at present, from non-food expansion, and some are even eliminating whole lines. Many of these operators are going in for expansion of food lines—such as on-premises bakeries, service delis, snack bars, etc. In short, they are concentrating on foods—their goodness, their vast variety, the newness in foods, pride in handling and presenting them to the consumer, understanding the family's wants, leaving no stone unturned in satisfying those wants, and equally important, doing everything possible to become known as the best "food merchants" in town.

On the other hand, discounters have made supermarket operators, both big and small, aware of what might be called "total retailing." Previously, the department store in the shopping center was just a place where the wife went to buy things, or maybe it was looked upon as a draw for the center, or perhaps, a thief stealing parking space from the food store. Now, however, supermarket operators walk through discount houses thinking how wide a world retailing is and what opportunities may be existing in it for them.

Every successful supermarket operator does have a very basic advantage that most other types of retail establishments don't enjoy and that is high traffic. This is simply because each of us has a highly developed habit of consuming about four pounds of food a day.
Capitalizing on this build-in drawing power, many supermarkets are responding to discounters by fighting them in their own territory by promoting general merchandise more than ever. For instance, supermarkets are featuring more special displays of non-foods and most companies have stepped up their non-foods advertising. Many stores have taken on some of the faster moving small appliances. They're selling blankets, sheets, electric fans, even air conditioners on an in-and-out basis at very low margins. This technique of creating a low price non-foods impression with in-and-out merchandise seems to be favored over across-the-board non-foods price cutting which seldom seems to make up with volume the reduced per cent margin.

Stronger promotion and better merchandising practices for non-foods are becoming widespread. General merchandise is winning best positions in traffic flow, location in "split-level" integration with high traffic staple grocery sections and gaining from more related-item merchandising on end displays and throughout the store. In short, the food retailer is getting over his mental block about non-foods. Whereas he's been handling them for 10 years, he's now beginning to merchandise them.

Food retailers everywhere are seeking new sources of sales and profits. You name it and somebody's giving it a try. Snack bars, luncheonettes, service deli departments, on-premises bakeries, flower departments, garden shops, complete drug departments, home centers, service ice cream stands, shoe and watch repair, costume jewelry, fancy foods, laundry and dry cleaning add ons, catalog discount counters, complete drive-in type markets, auto accessories, sewing centers; all of these have appeared in sufficient numbers to be worthy of mention.

Of course, many supermarket companies, besides fighting discounters, are joining them. Practically every major chain has at least one food store in a discount house and many are going into the entire discount operation. Many smaller multi-unit organizations are also taking the plunge as are a few wholesale grocery firms. All of these plunges have not proved refreshing to the bathers as you well know.

Still another supermarket reaction to new discount competition has been the emergence of the second and third store name within the same chain store company. Some of the outlets are stores that previously operated under the chain's corporate name and some are totally new buildings that opened under a new name. Invariably, the theme is low price if not discount price and generally no stamps. The advertising appeal is usually on a comparative price basis with traditional or stamp-giving supermarkets.

The City of Detroit offers an excellent, if somewhat extreme, example of this situation today. It also reflects the increasing flexibility of the food chains.

Some Detroiters say the move to "discount foods" started a few years ago with the success of a local independent, (they're usually the ones who start things) who without stamps but with good service and lower prices, was able to successfully take over failing chain locations. This example, which could hardly have been overlooked by the chains, coincided with the emergence of discount centers in which several of the local chains had leased space and gotten their feet wet in no-stamp
operations. In Detroit, this has resulted in an almost billowing series of new names, new operations by well-known chains. It's really hard to tell who is who without a score card but to illustrate our point, here's a rough box score starting off with the most vivid example of the many masks that Detroit retail companies wear.

**Allied Stores** with 78 conventional Wrigley units (with stamps) now has 25 Big Valu stores (stamps but discount approach), 7 Packers stores (no stamps) and has just opened a Big Valu Discount store (no stamps, low income neighborhood). In the latest unit, as in many existing stores that have been converted to a no stamp operation, stamps are actually sold to customers who wish to complete their books ($3/book; 100 stamps for 25¢).

**Food Fair** with around 69 conventional units (a local chain not related to the Philadelphia-based Food Fair) has about 10 stores called Save-On Foods stores (no stamps) and a few leased departments in discount houses called Save-On K Mart.

**Kroger** has about 3 units called Buy-Lo (no stamps).

**National Tea** has about 3 Big-D stores.

**Chatham**, a local 7 unit firm, opened in November its first no-stamp unit and calls it Royal Family Center.

Typical of all of these discount foods operations (in addition to lower prices and margins and generally more sales per store) are these characteristics:

Shorter hours, no stamps, fewer items and, typically, they are conversions of existing units rather than totally new constructions--although this is subject to change. What about service? We checked just one unit called Great Scot (he's the independent that started the whole movement), and must confess that although it was the busiest store we saw in Detroit, it gave more front-end service than any store we've seen in a long time.

Such ventures do, if nothing more, provide a hint that food retailing may soon be returning to the pricing concept with which it made retailing history in the 1930's.

Primarily, because of a dependence on trading stamps as a customer draw, the industry has suffered from a general hardening of the arteries as price makers. The average retailer is prone to follow whoever happens to be the leading competitor in his area. This too often turns out to a case of "the blind leading the blind." Ask most any food retailer why he prices each item as he does and you will not get a ready, logical or sensible answer. Ask him about consumer price awareness and price knowledge, and you will hear opinion and hunch, but few factual answers.

An outstanding example of the real power of steady low-price merchandising exists today in the Shop-Rite stores in New Jersey. While the entire Shoppe-Rite group of around 120 stores has grown phenomenally during the past 12 years, I think we can get a clearer picture of what they've done by looking at two corporate groups within the overall Shop-Rite complex.
One of these is called General Supermarkets, Inc. Operating under the Shop-Rite name, General began operations in 1959 just over three years ago, when four members of the Shop-Rite group agreed to pool their resources. Each man was operating a small, high-volume Shop-Rite store in the Northern New Jersey area at that time. The four stores they operated included one of 2,000 sq. ft., a 3,500 sq. foot, one at 4,000 and one with 4,500 sq. ft. As Shop-Rite stores their average weekly volume when they got together in 1959 was $20,000. Today the corporation operates 11 super markets and a 95,000 sq. ft. Discount Center. For its fiscal year ended November 3, 1962, the firm hit $41 million in sales. This was a 56% volume increase over the previous year. Profits for the same period were up 149%. That's not bad for a bunch of small-time operators. The almost unbelievable aspect of the story is the fact that the original stores beyond the four small units they started with were take-overs of problem stores that other chains were happy to get rid of. One by one, General acquired these units and developed them into profitable stores with some of the highest volume returns in the nation: 6,000 sq. ft. of selling space in Bloomfield, N. J. was brought up to $68,000 per week; 6,500 sq. ft. in Montclair now produces $30,000 per week; 9,500 sq. ft. in Hackensack brings in $50,000 each week.

Basically, the same story can be told about Supermarkets Operating Company, another incorporated group within the same co-op. Here the talents of three member operators were combined in 1958 to purchase a 9,500 sq. ft. sales area unit that a major chain wanted to unload. The first week's sales in this unit as a Shop-Rite store were $93,000.

This success was followed quickly by the acquisition of another distressed chain location that offered 12,500 sq. ft. Here the first week's sales hit $72,000 then settled down to a steady $60,000 per week.

Next came a new 25,000 sq. ft. unit in 1959 that boasted 17,000 sq. ft. of selling area. The results here during the first 13 weeks of operation amounted to $103,000 per week. Next a 37,500 sq. ft. selling area unit directly across the street from a discount house with a supermarket that produced $150,000 per week average the first year and $175,000 weekly during the second operating year. SOC now operates 17 stores that produced sales of $58,000,000 during the fiscal year ended July 31, 1962. Sales for that same period were up 32% over the previous year and net earnings were up 23%.

How has it been possible for these companies and other individual Shop-Rite operators on a smaller scale to hit such a breath-taking stride in an area that is saturated with a half-dozen major chains and is also known to be one of the hotbeds of discount competition.

The answer is so obvious it is deceiving. Shop-Rite operates super markets in an old-fashioned way. They have developed an across-the-board low-price image. They've adhered to the basic principle that customers do care what they spend for food and if customers are convinced that Shop-Rite values are consistent and true values, their loyalty will be automatic. According to the Shop-Rite philosophy, no item should be sold at a given competitive price. They believe the only price that is right for an item is the price that connotes a value to the customer and that value and depth at a low price is what a woman wants. Needless to say, they don't give stamps.
Quite aside from the sales building power of pure price merchandising as evident in the growth of Shop-Rite stores, a more subtle and scientific approach to pricing could well provide the much needed answer to the profit squeeze the food retailing industry is caught in today.

Put the blame where you choose—over expansion, trading stamps, unions, public resistance to higher prices, or a combination of all these factors. The fact remains that chain and independent super market operators must find ways to increase their earnings if the industry is to maintain the growth and morale so essential to everyone in it. If ways are not found, expansion capital will diminish, store appearance, services, growth, employee wages, all these will suffer.

How much more profit is needed? The consensus among chain and wholesale grocery company presidents we questioned recently was one-half cent more net profit per dollar sales, a very small sum, which could be realized one would think, without too much difficulty in a business that builds its total margin not around a few dozen but on 6,000 to as many as 10,000 different items with almost none of them price controlled or regulated.

We're certainly not suggesting that prices can be manipulated at will without regard for competitor or consumer reaction. To do so would be the quickest way to ruin. What we are suggesting is that retail pricing is an unexplored wilderness insofar as most food retailers are concerned. We are suggesting that much could be learned by the application of a little ingenuity, research or initiative directed toward retail pricing.

Just recently we had an opportunity to get an indication of how aware supermarket customers are of prices. We asked one of the leading chain store companies to give us a list of the most competitive items in their trading area. They gave us one that contained about 150 items. From this list we selected 60 items and went into these stores to see how closely the customers could come to the actual prices on these items. In total, we questioned over 1,000 shoppers by showing them the actual products and asking them to tell us what they should sell for.

We credited answers that were 10% over and 10% under the actual selling price as correct answers, and found that on an overall average on the 60 items, only 28% of the answers were correct. Again, I don't mean to imply that you can do anything with prices because of an insignificant statistic like this, but doesn't this begin to set the wheels in motion?

On another occasion, we had an opportunity to check the results of some simple price changes on selected items. Items that formerly sold for 19¢ a unit were changed to 5/$1.00. This represented about a 5% increase in margin but frequently resulted in a sales increase of as much as 25% merely because of a suggested multiple of 5 instead of the single unit price. By changing an item from 2/25¢ to 3/39¢ we not only saw sales increase, but the gross margin was raised approximately 4%. By changing an item from 2/29¢ to 3/47¢ the gross margin increase was over 6% and sales generally increased as well.
Of course, intelligent retail pricing also requires downward adjustments to gain more gross dollars from specific items. We found for example that on items that competitive stores were selling 2/41¢, a price change to 5/$1.00 more than made up in increased sales the decrease in gross caused by the change.

Since cost prices on items change every day, retail pricing is a continuous responsibility. Produce and meat retail prices receive a lot more discretionary attention because changes are more frequent and quality varies from week to week. Unless you are satisfied to let your competition do your thinking for you, we feel the same discretionary retail pricing methods should be applied to the grocery department sales breakdown. Intelligent retail pricing can be a powerful merchandising tool. It can also be the difference between a satisfactory and an unsatisfactory profit.

Unquestionably, the supermarket industry is currently going through a transitional phase. Exactly what the typical store profit will look like 10 years from now is difficult to predict at this time. Indications are that it will not be the stereotyped, carbon copy of every other store in sight.

Rather, it appears that in maturity the industry will develop a flexibility it never had before. Stores will be created rather than stamped out. They will be tailored more to the individual requirements of a neighborhood or location. Stores will be made to fit the customer mold rather than trying to force the customers to fit the store mold.

If I've wandered somewhat from the central theme of my title, it's because I find it difficult to isolate a prime factor among the many influential forces that are forging the new supermarket image we see developing today. I'm confident the intrepid group of panelists that follow will get us back on the track without delay.

Thank you, gentlemen, for your very fine attention.
IOTT:

We are happy to have with us this morning, Leo Mintz, who will be your moderator for this morning's panel. Leo is vice-president and advertising director of Grocer's Beacon, a trade publication.

LEO MINTZ:

This panel of three leading Ohio food retailers will discuss some of the practical phases of discount operation. We will introduce these people individually and show some slides of their stores so that you can visualize their operations. The panel members hope, at the conclusion of their discussion, that you will question instead of just accepting because they feel that learning is a process of questioning and investigation.

The first member on our panel is Calvin D. Mayne, owner-operator of Dorothy Lane Super Markets, Dayton and Cincinnati.

CALVIN D. MAYNE:

You know, I was very interested in George Kline's remark because George Kline came to Dayton, Ohio, in 1957 and wrote up our psychological pricing program. And in many pick cases, George Kline's presentation in the Progressive Grocer at that time, I still have people calling from all over the country and finding out, say "Are you still using it?" Say, "We still have our copy and it's our Bible." I have found this true in Australia.

Actually, of course, our pricing program is that we feel 85% of our customers judge a store by 10 items; the other 15% use 38 items, but it's the price you carry on those items we believe. And as I recall when we were developing our pricing program, over in Chicago a man by the name of Davies said that you could sell 30% of your items at cost. Twelve hundred items at cost. And, of course, it's between these two systems that I think the majority of people today are setting up their pricing program. I don't know who's right. I think on the Davies program I believe there is a lot of unofficiateded statements. We gross 10% of our items at cost or below and we want 90% of our business as profit. We think it gives you a little bit more profit.

To get back to my topic, afterall I was supposed to talk about discount centers. You know, almost every time we went to a discounters conference, we came away from that feeling that these people are amatures in mass merchandising. Purely, they were real estate operators that got into discounting. And, of course, they put together a lefty agreement so that they are in 20, 22, 25 different operations. A lot of these were national concerns; and, of course, as they expanded, sometimes they expanded too fast. They invented the market for this type of store. Because, you see, your department stores haven't realized that there's a lot of people that can't get downtown and shop at their limited hours they're open. Consequently, the people had a ready-made market. They didn't need to be professionals. But as the things tightened up, and I think our city is one that has tightened up, because we got I think 8 different discount houses there in a city of a half a million, or a marketing
area of a half a million; and we felt that this was too many. And sooner or later the weak ones had to fall. And we believe that strong food operators are going to take over this field, because they know mass merchandising. However, there are a lot of things in this mass merchandising of non-foods that we food operators don't know anything about. And so we are approaching it very cautiously. First thing we found out is it is more seasonal. The next thing we found out, that your two strong departments you must have is your small electrical appliances which are sold at cost or no more than 10% and your linen that is sold at cost or not more than 10%. These are the two departments that you have to have real strength in. Another good thing we found out is don't expect to make any sales in January and February. Even with your strong food operations, because, Brother, they are dead. I recall once that this discounter said, "I'm going to open up on Sunday in Cincinnati." He said, "You'd better too. Because one Sunday is worth a week in January and February." You know, I listened. I found that's true. But nevertheless you start getting picked up in March. We're already starting to feel it. We're happy with our discount operation. Our average rent, and this is 8%. Now we think there is a great future for this. It's a great future for your smaller cities. But you have to take local people. If you combine the local talent, and then I'm sure we are going to put it on a common register. Because then you can do business cheaper than your people that are in shopping centers. Because what do you have? You've got a shopping center under one roof. Now you are going to be as strong as your weakest tenant. And then you have to create an area of confidence. When we went into Cincinnati we printed the first page of our policy book. In essence we said we're going to be honest with you. We're going to give you the finest merchandise we can possibly do. And we're going to be a part of the community.

Now this is creative. A feeling of goodwill. And the store took off immediately. It went to $150,000 a week right like that. Later it dropped to around $80-$85,000 in January and February. It's still making money. Right now it's divided in half between non-foods and foods. We've had a couple of consultants and they come in and they say that your food should always be 1/3. Well, what is 1/3 or 1/2. I think you can take a lot of fat out of the discount operation as the discounter operates. And as you as the food operator can do. And our ceiling today is going to be food and fashion. That's going to be the word of the future.
MINTZ:

Our next member on the panel is A. J. "Andy" Choat, General Manager, Food, Clarkin's Carrousel, Canton.

A. J. "ANDY" CHOAT:

Earlier, in thinking what I might entitle my speech, I thought I had an appropriate title, "TWO MONTHS IN JAIL--WITH THE REDS." This needs no further explanation because either a grocery or a discount operation starting out new, will need some red ink for a period of time.

I will not bore you too much with sales figures, man-hour productivity and labor percentages, because every one of you knows almost exactly what everyone else is doing along these lines. If not, you can ask the next bakery, pop or cookie salesman and he can tell you what every other competitor is doing. Reports have us doing from $25,000 to $150,000 a week. I can only assure you that this is true, our sales are within these boundaries.

I am leasing space in a new discount operation, whose overall floor space is approximately 150,000 sq. ft. The total overall grocery space is 26,000 sq. ft. with 18,200 sq. ft. devoted to selling area. Lineal feet for each department are as follows:

- Produce 216 feet
- Meat 135 feet
- Bakery 120 feet
- Dairy 124 feet
- Frozen Foods 216 feet
- Grocery Gondolas 1250 feet

We have twelve checkouts with room for two more. Our store was designed with heavy emphasis placed on the perishable departments. This includes produce, meat, dairy, bakery, frozen foods, candy, ice cream and snack items, etc. In planning our food department we traveled over the United States looking for new ideas. We found several that were incorporated into our original plans.

Some are working out to our satisfaction, while others have been discarded or modified since our opening.

We patterned our produce department along what I will call, "California style." This meant we put several hanging scales in this department to enable the customer to get approximate weights if desired. All produce was mass displayed with description and prices on signs, no individual items were marked or priced. At each checkout we posted a price list and had a set of scales for weighing and pricing. This was a fine idea, we thought. Look at the time and labor saved. Well, here is what happened. We went to great lengths and time training our cashiers about every phase of cashiering. We had a 3-week training program working with the National Cash Register Co., before the store opened. In our opinion this would get us off on the right foot. One small item we forgot. The men (and we opened with only men cashiers) didn't know a bunch of endive from leaf lettuce. We had seven different kinds of melons, plus every fancy item on the market at that time. Actually I couldn't blame them too much, because we had items that even I didn't know. The
scales lasted exactly five days at the checkout counters. Then we tried weighing and pricing in the department. This lasted about three months, during which time we gradually went to self-service, which we think is by far a better and more efficient way.

One of the more successful operators from the West Coast visited us and remarked that in his opinion we were creating the wrong image by having fancy produce which created a high price impression. I argued that our prices were competitive. He agreed, but he thought that by having so many fancy items displayed we were creating a high price impression. I argued that they did this in California with great success. He had to agree, but he explained that people in California were used to seeing this type of operation everyday, but that the same was not true in our area. I still believe that there is very little difference, if any, in people whether from the East Coast, Midwest, or West Coast. I still believe that eventually most produce will be sold California style. However, I do not want to be the first to educate the people in our area.

When we opened, we handled nothing but U.S. choice beef. We were very competitive in price with other stores, regardless of grade, and it was my opinion that it would only be a matter of time until people realized that they could buy choice beef for what they were paying elsewhere for commercial beef. Again, I was wrong. After making several cutting tests, we realized that almost a fourth of the choice beef was bone, fat and cutting loss. To make a comparison we purchased a side of top commercial beef and made a cutting test which resulted in about 13 percent bone, fat and cutting loss. In order to dispose of this beef, we placed it side by side with our choice beef at exactly the same price. There were no signs and no explaining to the help. No doubt, you have already guessed what happened. Customers picked this beef up first. We tried more and the results were the same, if not better, each time. We then coined a trade name for our new beef, "King Steer." Now we are selling two grades of beef, Choice and King Steer, which outsells choice 6 to 1 and is regularly priced within a few cents of choice. We tripled our beef volume in two months. We have a very high ratio of meat sales to overall sales. Also a high ratio of beef sales to total meat sales. Let me explain—we are very fussy what kind of beef goes out under our King Steer label. In order to maintain this quality, at some times during the year we will, no doubt, be paying close to choice prices. We know that we cannot afford to cheapen this King Steer image under any circumstances. Several customers have asked what grade of beef this is and we explain that it is our house grade.

One day an irate customer was complaining about the beef she had purchased the previous week. In a rather indignant manner I explained, "Why Lady, that calf was following the cow only six months ago." "That I can believe," answered the customer, "but I'll bet he wasn't after milk."

Another new innovation to our area was a 120 foot automatic conveyer that is located in front of our checkouts and takes the purchases to an outside pickup station. This proved quite a problem at first, but now it is functioning very well. At peak periods it became jammed, but we put as high as 12 people to relieve this situation. It has cost several man hours to maintain this service, but we think it will be worth it. We had quite a hard time at first with orders getting mixed and with breakage. This, however, has been eliminated almost entirely. We also use the pickup station for our bottle storage. During the early part of the week we
utilize the boy in the pickup station to sort and case the returned bottles accumulated from the weekend.

We have our own ideas about mass merchandising and, no doubt, there could be disagreement among us as to what is the right way and what is the wrong way to do things. For instance, we believe that we can adequately serve customers' needs with 3,000 or less items. I very carefully avoided the word wants, because if we had 10,000 items someone would still want another brand. We know that if we provide her with a national brand item at a very competitive price that we have done much to establish our image of quality merchandise at a saving.

We use very few drop shipments. Our theory is very simple. We are in the retail business, not the wholesale business. We find it hard to chase two rabbits at the same time.

Shelf space allocation requires much of our time, and if an item doesn't move enough volume in a certain length of time to warrant its space, we either cut it out entirely or reduce shelf space. Our goal of a complete inventory turn every week is not a dream—it is reality with us. To maintain this turnover we must eliminate slow movers when we take on new items.

We use tray packing on everything that lends itself to this type of display. I probably would argue about its merits if I didn't strongly believe that it helps impart a massive, high-volume image to the consumer. To me this is all important. The disadvantage is that after a day of high sales one sees merchandise covered with the display bottoms and can of merchandise taken out three or four cases down.

We do all of our stocking at night or when the store is not open for business. We receive as much as possible from the truck directly to the display area by gravity conveyors. We make one person responsible for a given area. This promotes friendly competition, which in our case has proven to be helpful.

We strongly believe that every display should have a talking sign and that every item should be plainly marked. We use price tags on our shelf molding, and if not carefully watched, this can cause anxious moments. We use single item pricing as our regular pricing policy, but we use multiple pricing on our advertised items. This is especially true on canned fruit and vegetables.

In closing there is one more item that I would like to discuss—that is the word "Discount." Before and after being in competition with discount houses in our area, I had some preconceived idea about the use of that word. In our early advertising I argued with the advertising manager about his constant use of the word "discount." I argued long and loud saying not to use discount when describing the food operation. I wanted to build the highest possible type image by using choice beef, national brands of canned goods, top brand of frozen food and fancy produce at competitive prices. He argued that while my theory was excellent, that it was not practical. His position was that the word discount did not imply low quality merchandise, as I had argued, but that it was giving the highest quality merchandise at the lowest possible price and further that if I expected to come into a new area and take 10 percent of the total food dollars away from people who had been established in business for many years that I couldn't do it with price alone. This meant not only a very
low price structure but also would require fast, efficient, and courteous service, cleanliness, and friendly personnel. Then, and only then, could I expect to reach my goal. The word "discount" would be only as good as we made it and if all the other ingredients as described before were a part of one operation, then the term "discount" would have its true meaning.

He told me that in order to sell first class merchandise, I would have to buy first class merchandise and that it was similar to buying grain. If you desire fresh, clean, first-quality grain you always have to pay a reasonable and fair price. However, if you are content with second hand grain that has already been through the horse, well, the price of that is a bit cheaper.

We now proudly use the word "discount" in our advertising, and our sales increases verify this to have been a wise decision.

Maybe I should mention a couple of other items. Plan ahead! We had some real give-aways at our opening. We "sold" coffee for five cents a pound and weiners for two cents. It not only cost us plenty of dough, but we already had more customers at the opening than we could handle. This was a needless expenditure at that time, and it could have been utilized much more effectively in promotion sometime later.

My other point is when you are planning your food operation, don't let yourself get locked into a location in the "back forty." Many of our customers will shop our food operation twice a week and may shop the other departments only once every couple of weeks. So try to locate the food department where it is convenient to the customer. I know that you will be better off and I feel that you will attract enough more customers that the entire operation will benefit as well.

We have opened a side entrance to the supermarket to relieve the customer of some of the extra effort that she had to make in order to shop with us.

Thank you for your kind attention.
MINTZ:

The next member on our panel is Dr. Wayne S. Wolf, President and General Manager of Perskey's of Alliance and Super Discount, Massillon.

WAYNE S. WOLF:

One of the most cussed or discussed words in the last several years as far as retail grocers are concerned is discounting. There are discount houses, discount food prices and various other uses of the word discount. Where do we in the food business go from here? Do we join the bandwagon? In my opinion, the most logical one to be in the discount business is the supermarket operator. For this is the type of business he has always been in. Mass merchandising at low prices with low gross mark-ups. I think if the food operator has followed his policy in regard to non-foods as he did in foods, we would have been the first discount house in the United States. I don't think we should assume an attitude that this way of business is a passing fancy, because of the numerous cases of bankruptcy that we have been reading about. The discount industry has undergone a very rapid expansion and in many cases by undercapitalized companies. These have gotten into trouble. The sound companies will emerge stronger than before and this will be a way of doing business for a good many years to come. I don't think that we should be lulled into a sense of false security or bury our heads and think that this will pass with time.

At the present time, my company operates three different types of discount houses. Our first one in Alliance, Ohio, has just a 25,000 square foot discount house only, sharing the same parking lot as my first Perskey's Super Market. This one has about 40% of its space leased out and we operate the rest. Another in Warren which is only a small unit with 11,000 square feet in a shopping center, no food, but we operate all of the departments ourselves with no tenants. And finally, our discount shopping center of 45,000 square feet in Massillon, Ohio. With a 15,000 square foot supermarket, approximately 25% of the space leased out and we operate the other department. The store in Massillon is the one I will talk principally about. For here we have the mass merchandising and movement of food under the discount house roof. First of all, we use central checkouts for the whole store, which in itself is a unique feature and very rarely seen in most discount centers because usually the supermarket has its own checkout. This has worked like a glove creating no problems and in the long run benefiting all departments because of the economies that this has led to. Incidentally, our food department is very close to the entrance of the store so it's easily accessible. Our checkouts are also very close to the food department so that if anyone doesn't want to go through the rest of the store, they can get in and out very quickly.

The terrific food volume that we have generated has also led to tremendous labor savings in material and handling. We have allocated floor space for over 3500 cases of merchandise. Trucks are unloaded by gravity-feed conveyors to stock cars and immediately taken to the floor, cut for display, priced and put on display while the truck is still being unloaded. Items on sale will have 100-500 pieces on display at one time so that we have no restocking problem while the sale is on or while the customer is in the store. We try to handle the merchandise only once and minimize warehouse stocking. This has cut material and handling costs
tremendously. We made one mistake on displays and that was only once. That was when we ran our first sale on ice tea and built a display of only 480 cases and moved not over 900 cases in four days. This display had to be rebuilt twice and in fact we had to get two more deliveries from the warehouse during the course of the sale. I have found that by putting these mass displays of merchandise before the shopper, that we are moving tremendous tonnage, in fact much greater than my No. 1 Perskey's Supermarket that does a larger volume of business. I would like to point out that by our receiving method we are able to get the merchandise before the customer in a very quick way. If a semi from the warehouse containing 1300 or more cases is received by 9:00 am, stocking is immediately started. We use two crews—one to receive the merchandise and to place it on stock carts, the other crew immediately takes it to the selling area, cuts the cases, marks the prices and fills the shelves. By the time the truck is checked-in over half of the cases have already been placed upon the shelves or on display. We also follow the two order system. First order in is to fill the shelves; second order in is involved in quantity items to immediately go on display.

Another important factor that we watch constantly is shelf allocation of merchandise. The fact that moving items are given the shelf space they need to again minimize the stocking problem. And I also want to make sure the merchandise is there when the customer wants it.

I want to say also a little different than what Andy does in his—we carry over 6500 items. We believe in operating a full supermarket and we have taken all the mistakes we have made in all the years we have been in business and tried to correct them here and operate as a conventional supermarket operation within a discount operation. We emphasize quality and service to our customer. And it has really paid off. For at the end of 80 days of business, we went over the figure that was budgeted for the end of our first year in volume. And at the end of 110 days, we had exceeded our second year's goal. And I might say we have done this with a profit. We want the food department to operate profitably and not to bring people into the other departments. We at Super Centers Incorporated feel that this is the best future for us in the food business. Our plans call for five more of this type of store in the next three years and another one yet this year of 27,000 square feet with 15,000 devoted to food in a smaller community than Salem, Ohio. These future stores will be scaled to the size of the community we're going into. And the most important point on deciding of all future locations is the need of the community that we are considering for a good independent food operation. And all of our plans for the discount house then revolve around the food market. I believe it is very important for the supermarket operator to build a good organization with his own people. The problems involved are different from the conventional supermarket. You want to build an image of your own, but not imitate what already exists. The operation should be well planned and organized. I believe that the most successful discount houses in the future will be those operated by the supermarket operator.

Thank you.
Thank you, gentlemen. Now, anybody have any questions? Any questions on discount operation?

Q: I'd like to ask one of these gentlemen what percentage of their sales are made during the so-called off-hours. I mean from 6:00 pm on or including Sunday. In Cleveland, we're not allowed to stay open on Sunday, we're not allowed to stay open after 6:00. I would like a sort of a percentage, approximately.

CAL MAYNE: Half of our business is done up to 5:30 at night and the other half is done between 5:30 and 10:00.

Q: On this so-called coffee deal of 5¢, was there a tie-in with a purchase of a dollar or five dollars?

ANDY CHOAT: No.

Q: Just an outright 5¢?

ANDY CHOAT: Yes. We gave you a wooden nickel when you came in the door, and with this wooden nickel and a nickel you could purchase a pound of coffee. We limited it to one a customer whether they were from the same family or not. I gave one to each individual.

Q: I would like to direct this to Andy. What is the percentage of pilferage in a discount house in comparison to a supermarket operation? Is it greater in a discount house and how much greater?

ANDY CHOAT: The same old percentage applies to 70 percent is done by employees. We just had a department head who was taking out a 9 x 12 rug. This is an area that we know exists, but we do very little about it. I am not happy to confess this is true, but then we try to evaluate how much it costs to have the detectives, etc. We do catch the average amount. The place is big and it is harder to do than if we had a 20,000 square foot store. I'll say that we allocate a half of 1 percent of sales for pilferage and breakage.

Q: I'd like to ask these gentlemen if they are trying to tailor their operations to any certain income group like the GEM operation where they are trying to set their operations for a particular income group?

CAL MAYNE: We found out from what you advertise determines what type of customer you get in your store. We advertise good merchandise, and we get from the middle income group up. This is the thing we have always done because we thought we'd make more money than if we followed the cheaper operator with the cheaper customer. After all you don't make any money on them because in the first place most of them don't have the money to spend. This became quite a discussion in New York recently when I was there at the discount managers convention. They said somebody had to take care of these people. I realize that's true, but it just don't have to be Dorothy Lane.
ANDY CHOAT: I differ with him because I can't tell the difference when it comes up in the register. We try to create this classic image. We think we have the finest fixtures, layout and everything. But when we looked over our crowd, you wouldn't see three neckties. And we also made note of the complete lack of colored trade and we wondered, "What are we doing wrong that we are not catering to this type of people?" So these were some of the reasons that this King Steer image that we created with our commercial people has developed to be very successful with us and our sales have doubled in the first of the year.

WAYNE WOLF: Well, I think my problem is a little different than either one of these gentlemen because they come from larger communities wherein you can either cater to all or cater to a limited selection. When your businesses are located in communities of 26 and 30,000, you can't pick one segment and hope to survive. So consequently we do our operations that we want every consumer that's in that market to be a customer of ours. We carry a better grade food line on one hand, we carry two qualities of beef, and we carry a cheap can goods as well as the better and give everybody a selection. We get to everybody. One of the problems that we find in the discount house operation is this: that aside from the food department itself, when you have leased departments, your stock goods and clothing will tend to create the image of who you are going to cater to and most of the stock goods operators are used to catering to the low income, they don't even cater to the middle income group. And this, of course, is a constant battle all the time, trying to get them to operate so that they too are catering to everybody in your store.

Q: I'd like to ask a question of Mr. Wolf and Mr. Choat. In your advertisement, do you use primarily choice beef or do you use both?

ANDY CHOAT: We changed completely. We use only the King Steer image and we put it in there and never mention the choice. And, we devote over 50 percent of our space (in our advertisement) to meat alone.

Q: In other words, it's just on the store level that you display two, is that it?

ANDY CHOAT: Right.

Q: But not in your advertisement?

ANDY CHOAT: No, and I also display according to sales.

Q: How about you, Mr. Wolf?

WAYNE WOLF: The first 30 days we were open, we only carried choice. We did that for a reason, but we sold it at the same price level like Andy said of comparative prices set. Because of the fact that we were catering to all elements of people, we wanted to make sure that everybody that bought that meat was going to get good meat. There would be no question about toughness or tenderness or flavor. After the 30 days, and this was in our plan at all times, we introduced our second grade of beef, and the first 4 weeks of the introduction of the second grade was all we anticipated. Last week again then, we went back into advertising both choice and our economy beef and by putting
choice back into the paper, we increased the sale of the choice, maintained the high sale of the other, and came out with the biggest week in our meat department that we'd had so far.

Q: I'd like to ask Dr. Wolf: Do you operate your own discount house as well as your own grocery department? Would you care to say what you think the difference is between these different categories? I mean, groceries is one category and the other is supply.

WAYNE WOLF: The ratios have changed considerably, since the first of the year. As Cal pointed out, something happens to color this type of business in January and February. As far as we're concerned, those two months shouldn't exist. But we find that--of course our store opened October 24 which was right in the beginning of the pick or the beginning of the Christmas season (you go right into the Christmas season)—up to Christmas our non-food operations generated 60 percent of the volume and food, 40 percent. Since Christmas and up to the present time, we are generating probably around 62 percent in food and about 38 percent in non-food. Now, I don't care if that goes to 80 percent as long as our volumes keep going up and the other departments keep doing well. As our volume has increased, it has pulled the other departments up continuously. In the long-run, we do better there than anywhere, and benefit from it. It's a seasonable business in the other type operation. You come into Easter in spring and you have one type of business. You come into summer and you have another, you come into fall and you have another, and Christmas is another and you come into January and February and you wish you could close the door. So it's just one of those things that you have to learn to live with the different types of seasons and regulate your inventories so that your terms are proper and you can still make out.

Q: What is the ratio between your grocery inventory and allied inventory?

WAYNE WOLF: We find that we're getting approximately, at the rate we're going now, about 32 turns a year on food and in our non-food operation we're averaging at the present time, somewhere between 8 and 12 turns. However, we're carrying about 40 percent more inventory in non-food than we are in foods. So, your money is tied up longer and turns less.

Q: My question is directed to Andy. You stated that you gave special emphasis to your perishables department. Would you care to give us briefly the percent of sales in the grocery, produce and meat, etc.?

ANDY CHOAT: We are just below 8 percent in produce, a fraction over 64 percent in grocery and about 28 percent in meat.

Q: Do you include dairy in your grocery?

ANDY CHOAT: Yes, we do. And frozen food, also. We only have three departments—meat, produce, and grocery.

LEO MINTZ: I wonder if you gentlemen would care to comment a little more about the advantages or disadvantages of the conventional supermarket under the same roof or adjacent to a discount operation vs. the operation of out-and-out discount stores?
ANDY CHOAT: I'd like to say that I believe that it's much more advantageous, but I think the location of the supermarket is very important. As I said before, we feel it brings people in 2 1/2 times a week as vs. the discount bringing them in 3 1/2 times a week. And it seems to me, we operate on a lease where we have 32 different departments under lease. Partially, some of them expect the supermarket to carry the ball all the time and they just want to live off of the fat of the land. And, of course, this is a constant bicker with us.

WAYNE WOLF: I think I can give a thorough analysis because we really got into this discount business because of the fact that we had this existing supermarket and as in all towns, more and more stores coming in and how can you maintain a volume when you are doing a peak volume of a community. And naturally everything starts opening up and you're the one they're pin pointing to get your volume. We had this vast piece of land next to our market for a good many years. And we started investigating this discount business about 6 years ago and then finally decided that this was the type operation that we as food operators were going to get into. And we first got into it, to insure the volume of business as far as the supermarket is concerned, to give the people another reason to come to the area. Now this has worked very fine. And 7500 customers to 8000 to 9500 customers a week were put into the front door of the discount house because the supermarket was already there. So it worked fine for the discount house. The discount house generated some new traffic that the market didn't have from out of town in rural communities and it's maintained and in fact given us a growth in the supermarket which we didn't think we could do any more, we thought that we were at the peak where we could never go any further. What is the ideal situation? As far as we're concerned the ideal situation is the supermarket located in the same building under the same roof, accomplishing one stop shopping. No necessarily with a discount connotation, this is mass merchandising. That's basically what it is. Same as the supermarket was and now all of a sudden we came along with discount and used the word. It's mass merchandising and self-selection and through those economies you are able to pass savings on to the consumer.

CAL MAYNE: Well, I think the future of the discounter is going to be food and fashion. And, of course, fashion is something that worries you more than anything else.

Q: I have another question to ask that is directed to Wayne Wolf. The non-foods operations that he controls himself, do you buy direct from the manufacturer or through a wholesaler or on the dock?

WAYNE WOLF: As we get into this more and more, we're building our organization of buyers, merchandisers and so on. We do a lot of direct buying. This is especially important on promotional items, because if you bought through somebody else, your competition is selling them for what you're buying them for. We do use distributors a great deal and they have proved of invaluable help. There are thousands of items that are carried in these stores that you couldn't possibly buy them all on a direct basis, so they'll always fit into the picture as far as we're concerned. I would say about 80 percent or about 20 percent of our buying is done on a term basis at the present time. Although we are increasing our direct buying all the time, especially with three units. Now we're in a position to do that.
HIGHLIGHTS OF THE McKinsey REPORT: IMPROVING FOOD INDUSTRY RELATIONS

(EDITOR'S NOTE: Because the text of Mr. Ames' address is not available, portions of the McKinsey Report are reproduced in lieu of. A limited supply of the complete reports are available upon request.)

Opportunities to Improve Relations Between Chains & Manufacturers

1. The Magnitude and Nature of the Opportunity

In view of the work that has already been done on chain-manufacturer relations, it is fair to ask, just how great is the opportunity today--and what evidence is there that a new approach will bring substantially greater benefits? Our study leads to several conclusions on this score, all of which point to the possibility of making a significant improvement in the profits of both groups.

In the present tightening economic conditions, improvements in relations are needed more than ever before:

Both groups today are finding it increasingly difficult to improve profits. The chains can no longer rely, to nearly the degree that they did in the past, on new stores, mergers, or price increases to build profits. At the same time, manufacturers are finding it much more difficult now than in the 1950's to launch successful new products, raise prices, or consummate mergers.

This environment places a premium on management's ability to extract greater yield from existing stores and existing product lines. And trade leaders are increasingly aware that this will depend largely on joint action to:

(a) Improve the merchandising effectiveness of both groups
(b) Lower distribution costs
(c) Reduce the staggering lost motion growing out of poor communications on both sides.

Important gains can come from industry action (studies, committees, etc.), but the real key to major improvement lies in individual-company action:

Any programs developed by industry groups will require individual-company action if they are to be effective. This is borne out by the progress that has been made so far, most of which has been brought about by a few leaders in both groups. The leaders have succeeded by:

(a) Setting improvement as a top-priority company goal
(b) Making it a "way of life" throughout their organizations.
To the majority of chains and manufacturers, however, the benefits of improving relations still have not been sufficiently clear cut nor have the methods been sufficiently specific to cause them to change their traditional approaches. Therefore, until the leaders show the way and demonstrate the benefits, the majority are unlikely to change.

Each group can learn a great deal from the other which can contribute to the profits of both:

(a) Chains are outstanding in merchandising techniques, the assessment of consumer buying motivations, and quick reactions to competitive moves.

(b) Manufacturers excel in financial analysis, organization techniques, and the building of a consumer franchise.

Throughout this report we have tried to demonstrate where each group's unique strength might contribute to better answers.

If companies in both groups capitalize on the improvement opportunities identified in this study, the payoff will unquestionably be great:

Despite its worldwide marketing leadership, the U.S. food industry still has much to learn about the art of productive coexistence. This study disclosed literally scores of opportunities for improvements, of which only the major ones are described in this report. It also disclosed that leader companies have made significant gains by capitalizing on these opportunities--further proof that better relations are truly worthwhile, and not simply a way of making life more pleasant.

Top-management dedication to the objective of improving relations is central to success:

It is quite obvious from our study that the companies that do best in working with their trade counterparts are the ones in which top management gives active support to this effort and is closely involved in it.

2. Five Major Opportunities to Improve Relations Between Chains & Manufacturers

In order to identify the places where significant improvements in chain-manufacturer relations were most likely, we first sought to get a working knowledge of these specific aspects of the relations between the two groups:

1. How a company makes money in each type of business (since this is the basis for most policies and actions of companies in either group).
2. How chains go about evaluating the economics of various manufacturer merchandising programs and proposals, and how manufacturers go about preparing them.

3. How the two groups work together in the selection of products, promotions, and distribution methods.

4. How each group is organized to deal with the other.

5. How various companies go about communicating their policies and objectives to one another.

This examination included a thorough consideration of the viewpoints and experience of many executives at various organization levels in both groups. Out of this analytical process--involving more than a hundred interviews--we came to the conclusion that there are no inherent conflicts in the goals of the two groups that prevent a substantially closer relationship between them. Consequently, we were able to identify a number of basic problems and develop a series of five major recommendations.

These five recommendations, which we have called "opportunities" to stress their positive nature, are covered in the remainder of this report.

OPPORTUNITY #1
Gaining a Better Appreciation of How the Other Fellow Generates His Profits

In the highly competitive food business, both chains and manufacturers need to understand the economics of one another's business. Understanding how the other fellow makes money helps explain why he reacts the way he does to individual merchandising propositions. It helps encourage action in areas where profits can be improved by cooperative action. And, perhaps most important, understanding is essential because over the long term, neither group will profit unless both are profitable.

So, one of the first objectives of our study was to develop an understanding of the economics of chain and manufacturer operations.

We found that both groups, by and large, are profitable and that they achieve a remarkably similar return on funds invested. * This would indicate a sound financial foundation in which neither group is profiting unduly at the other's expense. A more detailed look at their economics, however, shows dramatic differences in the way the chains and the manufacturers make money.

*For example, a significant number of companies on both sides achieve a return on net worth in the range of 10 to 14 per cent--which is slightly above the average of all industrial companies.
Most chains operate very close to their break-even points. The chain must spend a very high percentage of its sales income for product costs and labor—leaving a very small percentage of each sales dollar for a combination of overhead, promotional spending, and finally, profit.

On the manufacturer's side, of course, there is considerable variation in economic structures. Generally, however, the food manufacturer operates well above his break-even point. Moreover, he typically does not spend nearly as high a portion of his sales dollar for product costs as does the chain. This leaves a much higher percentage of sales income available for overhead, "discretionary" spending (e.g., promotion, advertising, research and development) and profit.

Within this economic structure, a manufacturer makes money by skillful manipulation of his "growth" funds to create consumer awareness of his own product and thereby create new demand or shift demand away from his competitor's product. He can do this even at the sacrifice of his unit margins—provided, of course, that his spending actually does increase his volume. In effect, a manufacturer can spend money to make money—or he can reach for volume. (It would be very nice if a manufacturer could "save" growth funds and thereby increase his profits. But there is ample evidence that inadequate or ineffective advertising, promotion, or product development ultimately leads to a loss of consumer support—and thus to lower profits.)

Conversely, a chain's economics do not encourage risking much of its smaller margin in order to increase sales. For the chain profits mainly by getting the most value out of its selling space—that is, by maximizing volume per unit of selling space, but without significantly altering labor costs or pricing margins.

These differences in how the two groups make money are a vital aspect of their relations. For these economic considerations, and differences, thread their way through each of the problems and opportunities disclosed by our study.

From the manufacturer's standpoint, consideration of the chain's economics will help him develop selling programs that benefit the chain as well as himself—and thus will be more likely to receive chain acceptance. His programs, at a minimum, will take into account the fact that chains are dedicated to:

1. Increasing volume, not shifting demand from one product to another.
2. Controlling labor costs, minimizing investment, and preserving (or improving) margins.

Every program may not accomplish all of these goals. However, sensitivity to these goals should help to reduce the incidence of programs that are diametrically opposed to them.

* The exception to this, of course, is the discount house, which does cut prices in order to increase volume. We would regard this as a special situation, however. If all grocery chains adopted this practice, they would soon reach the limit of possible volume increases. Thus they would be left with higher break-even points and little if any volume gain.
Similarly, chains must recognize that manufacturers' efforts to influence consumers are a permanent—and vitally important—element in the growth of the food business. Thus chains must organize themselves to carry on an openminded and objective evaluation of a continuing series of products, promotions, and advertising programs—each designed to shift consumer demand as well as to create added primary demand.

OPPORTUNITY #2
Improving the Financial Evaluation of Basic Merchandising Alternatives

In this economic environment, it is clearly imperative for each chain to make the soundest possible assessment of the financial implications of the hundreds of merchandising propositions offered by manufacturers each month. For it is apparent that a chain's profits are improved, not by single dramatic moves, but rather by consistent selection of the products and promotions that will produce added sales without causing offsetting cost increases.

In short, brilliant intuition is no longer enough to ensure a growing profit for a grocery chain. In their tightening economic climate, chains must have better means of deciding which individual decisions are brilliant—and which are not. Moreover, their increased size necessitates greater delegation of decision making. This, in turn, increases the need to employ a more refined and better organized approach to decision making at the buyer and store manager levels.

The chain's approach to financial evaluation is equally important to the manufacturer. For he needs to know as much as he can about how the chain will go about evaluating his propositions so that he can shape them to get favorable attention from the chain. Thus, this opportunity affects both groups importantly.

Financial considerations are not, of course, the only yardstick by which merchandising programs and alternatives are evaluated. Merchandising judgment should, and does, play an important role in these matters. However, our interviews with trade leaders in both groups strongly suggest that:

1. There is considerable room for improvement in the methods chains currently use to make financial evaluations of the retail profit implications of various merchandising alternatives.

2. Progressive chains have attached a very high priority to making such improvement.

3. Similarly, progressive manufacturers appear to have considerable insight into chains' evaluation methods, but the majority do not.

Our study of how chains make financial evaluations was extensive enough to draw the conclusion that different approaches to financial evaluation are the rule rather than the exception. For example, many chains—especially at the buyer level—still evaluate proposals on the basis of gross margin percentage. On the other hand, a growing number of chains are using gross margin dollars. Still
others are using turnover and merchandising contributions for their evaluations. And a few "leader" chains have developed performance standards for shelf movement and the use of display space, which they apply to manufacturer proposals.

These differences in approach appear not only among various companies, but within individual chains as well. Top management often takes a fundamentally different viewpoint from that of its buyers or sales personnel.

We would not expect complete uniformity in this area. But in our judgment, it is very difficult to rationalize or justify the wide variations that exist—and the relatively low level of financial sophistication that prevails in many chains.

On the manufacturer's side, we found that very few proposals to chains reflect any recognition of chain economics. And those that do consider chain economics generally stop at gross margin dollars.

In summary, improved financial evaluations will require changing life-long habits and overcoming certain difficulties of applying more effective analytical methods. However, our study disclosed a number of indications that progress toward more effective financial evaluation is accelerating. The most important of these are:

1. The advent of computers, which have put a great deal of additional information in management's hands.

2. Improvements in the methods by which financial and nonfinancial data are gathered and reported, which have increased management's ability to use information in decision making.

3. The concept of concentrating on a few dominant product categories, as opposed to all 7-8,000 items. This permits chains to focus their analyses on those items where a small percentage improvement will bring about a big dollar gain.

4. A genuine—and we believe growing--interest among key executives in both chains and manufacturers in developing a more effective basis for evaluating merchandising alternatives.

Clearly, improvement in financial analysis will not take place overnight. It will continue to be gradual—growing largely from the efforts of a few leader companies that believe this management tool is worth the effort required to bring it into use.

OPPORTUNITY #3
Doing a Better Job of Working Together on Merchandising Opportunities

Regardless of the specific financial basis on which merchandising opportunities are evaluated, individual chains and manufacturers must and do work together almost continuously on a wide variety of fronts. The most important of these,
of course, are decisions and actions relating to such questions as:

1. What products should the manufacturer offer and the chains handle?
2. Which products should be promoted, and by what methods?
3. What distribution and related service methods will be fastest & cheapest?

On many of these questions individual chains and manufacturers often---and to some extent inevitably---take different points of view. However, our study convinces us that major opportunities exist for both groups to do a better job of working together in these three areas.

The specific opportunities that we see are as follows:

1. Evaluating products, sizes, and flavors realistically:

   Both sides, and the companies individually, need to assume greater responsibility for such evaluation.

   Basically, we do not believe the traditional conflict over product selection is irreconcilable. To both the manufacturer and the chain, the key to success is getting the right products on the shelf. The problem arises because the manufacturer naturally wants each chain to handle each of his products, both new and old. The chain, however, has limited room and therefore is constantly seeking to select the best choices among many alternatives. The heart of this problem is not the big successes; chains will rarely miss one of these. Rather it is the hundreds of "small successes," and the failures, that lead to disagreement. With even the larger stores selling less than half a case of the average item per week, the chain simply cannot afford to make room for an unending variety of products. Moreover, since many items cannot be stocked, manufacturers, as a group, benefit most if they are able to get shelf space for items in demand, even at the sacrifice of poor movers.

   In these circumstances, each manufacturer ideally would offer only products, sizes, and flavors that filled demonstrated consumer needs. And he would generate and maintain consumer demand for these products. The chain, on the other hand, would develop skill in the objective evaluation of products and would perfect its ability to give each product a fair try and then eliminate deadwood.

   In this area of product evaluation, the major responsibility falls on the manufacturers. For they are the ones who create the basic pressure and who can do most to control the flow of new products and sizes. But the chains can do much to improve their practices in evaluating individual products.

2. Doing better at jointly promoting individual products:

   Here we are talking about two types of promotions---use of shelf space and use of the chain's advertising and display facilities.

   Controversy on shelf space arises from the manufacturer's desire to build sales by getting his products prominently displayed and the chain's desire to maintain some semblance of control over the way shelf space is used. Part of the prob-
lem of course is the difficulty of evaluating, in financial terms, just what return the chain or the manufacturer gains per unit of shelf space when space is reallocated.

Our study indicates that a significant number of leading chains and manufacturers are reassessing the role of shelf space in merchandising. We found a growing feeling, in both groups, that shelf space should be allocated primarily on the basis of local market shares. In the first place, a chain cannot afford to risk lowering its return per unit of space by granting disproportionate advantages to any products—either advertised brands or private labels.* And in the second place, competition will usually prevent the manufacturer's salesmen from holding unearned shelf advantages.

A number of progressive manufacturers are adopting the concept of building "category" sales—that is, the sales of a total product category such as coffee or cereal. They are, for example, adopting consumer-oriented shelf layouts, which are designed to maximize consumer appeal rather than simply to secure more shelf space for a particular brand. Also, more and more are allocating space on the basis of the products' local consumer franchise, as opposed to their national franchise—or the salesman's persuasive ability. Cereal manufacturers have been outstanding in their use of these techniques.

Thus considerable progress is being made in resolving controversies over shelf space. In most product categories, however, there is still a major opportunity for broader application of these new concepts.

In the use of promotional facilities, on the other hand, many trade leaders believe cooperation is diminishing rather than growing. Many chain executives feel that the manufacturers are offering too many promotions and wasting much of their promotional effort. Conversely, the manufacturers say they have increasing difficulty in getting the chains to accept promotions. And when they are accepted, according to the manufacturers, the chains do not follow through with full support.

It would be difficult to overemphasize the vital importance of both groups' getting more value out of millions of dollars of promotional funds spent each year by both groups. And, if our earlier conclusions about the manufacturer's economics are correct, this spending is likely to continue.

In the promotion area, we believe that manufacturers may be able to take greater advantage of chains' acknowledged merchandising skills than they have been doing. This is borne out to some extent by the experience of a number of manufacturers, who told us about instances where chain executives have contributed importantly to the planning of promotional programs.

* During this study we had access to a confidential evaluation of retailing economics, which indicated that shelf "rent" alone (total store costs divided by total units of selling space) is so high that a large number of well-known grocery products actually generate a net loss to the retailer.
3. Mounting a more aggressive, coordinated attack on distribution costs:

It may come as a surprise to many that we found distribution costs to be a major improvement opportunity. For a great deal of good work has already been done on this problem. Industry groups, for example, have done much to promote more efficient practices in such activities as: invoicing, handling, shipping, and receiving. And these are many fine examples of individual-company action that have helped to raise everyone's sights in the entire area of customer service and distribution methods.

Despite this improvement, our study disclosed numerous examples of continuing difficulties. Some of these might be characterized merely as minor annoyances. But collectively they all contribute to distribution costs in some degree and all are controllable in at least some degree. Hence they warrant continuing management attention.

To summarize the third major opportunity, we believe that joint attention in these areas will result in a better job of working together:

1. Evaluating products, sizes, and flavors realistically
2. Working together more effectively to promote individual products
3. Mounting a more aggressive, coordinated attack on distribution.

Each of these activities is vitally important to profitable operation, as well as to better relations. Therefore, the payoff to any chain or manufacturer who is willing to take the lead in these areas is extremely rewarding. The best evidence of this, of course, is the actions already taken and the payoff already derived by certain leader companies in both groups. Moreover, while there are important opportunities for group action in all three areas, experience thus far indicates that any one company can do a great deal on its own to improve its effectiveness in these areas.

OPPORTUNITY #4
Organization to Develop More Productive Relations

Achieving better relations is not just a matter of cooperation with the other fellow; it will require some changes at home as well. For many of the problems of chain-manufacturer relations discussed in previous sections are aggravated by organization difficulties within the individual company.

Here we are not referring to the intricacies of organization structure, which necessarily differs in each company. Rather our point concerns all the things that must be done in a company to make sure people are working together effectively as a group instead of going their own way as individuals. Our study convinces us that positive steps can be taken to strengthen the organizations, in this sense, of many companies within both groups. Moreover, we are equally sure that accomplishment will contribute significantly both to improved relations in the trade and to overall
operating effectiveness. More specifically, the improvement opportunities we see fall into three categories:

1. Developing a better integrated approach to problems and issues
2. Speeding up decision making and communications
3. Improving the capabilities of contact personnel (buyers & salesmen).

Each of these opportunities is discussed below.

1. Developing a better integrated approach to problems and issues:

   Our study showed that both sides need to achieve greater consistency in the approach that different operating levels take to problems or issues. While it is important in any company, consistency is essential in this situation where continuous trade contacts are made at various levels and close cooperation is so important. At present, we find that frequently top management says one thing; programmers say and do another; and operating people have a third set of approaches.

   Distribution costs represent a third area in which both sides are inconsistent in their approach. Here the manufacturer who is sincerely interested in working with chains to make improvements is frequently sidetracked by inconsistencies within their organizations. He may find that the responsibility for the various aspects of distribution is so diffuse that no one person can work with him to develop a complete program. And, even when the manufacturers do succeed in finding someone to work with, many feel that the chains show them little appreciation for this effort.

   From the chain's standpoint, the difficulty of working with the manufacturer to lower distribution costs is also acute. For relatively few manufacturers are organized in a way that permits the chains to work toward this goal with a single person. Also many chain executives complain that their service problems or proposals for improvement often get distorted or lost as they are relayed back to the manufacturer through his sales force.

2. Speeding up decision making and communications:

   Clearly, the fast pace and complexity of the grocery business place a premium on fast decisions and effective communication. Obvious as this statement is, our interviews disclosed that there is still surprising room for improvement in the speed with which both chains and manufacturers respond to one another's proposals.

   As we see it, streamlining here is vitally important to both groups. Manufacturers cite the need for faster decisions and actions from individual chains in order to get the full impact of national programs. Chains point out that they would find their ability to satisfy the consumer enhanced significantly if they could get faster decisions and action, especially on service matters. Even more important than these specifics, both sides agree that improved decision making and communications would substantially increase the chances for achieving closer cooperation in many other areas.
Moreover, the outlook in this area is most encouraging. There are enough concrete examples of real progress to suggest that major improvement is possible. A significant number of manufacturers have reorganized their sales forces in order to shorten the lines of communication from top management to the field. Others have set up distributor panels to provide a better communication link with a good cross section of the trade.

We found examples of improvements on the chain side too. Several chains have realigned certain responsibility assignments in their organizations in an effort to centralize authority for key activities and speed up decision making. We also found a few chains that have adopted policies and initiated formal programs designed to step up their decisions and actions on manufacturers' propositions.

3. Improving the capabilities of contact personnel:

This opportunity should not come as a surprise to anyone, since our interviews disclosed that the need for hiring and developing better people is widely recognized in both groups. Several manufacturers complained that many chain buyers and merchandisers are simply errand boys for top management. Likewise, chains criticized many manufacturers, salesmen, and sales managers for being uninformed or ill-prepared. And many thoughtful leaders expressed concern over personnel weaknesses in their own organizations.

We were surprised to find that, despite widespread recognition of the problem, the grocery industry as a whole has lagged well behind many others in actually doing something about it. Until recently only a few companies on either side had undertaken aggressive programs to recruit better people and upgrade their contact personnel. And our interviews indicated that there are still a number of companies in both groups who have not started yet to shift their sights on personnel needs.

The importance of having formal programs to upgrade your personnel cannot be emphasized too strongly. For there can be little doubt that the continued growth and complexity of the food business have dramatically increased the need for higher caliber personnel. During our interviews both chain and manufacturing executives were unanimous in their agreement on this point. And many stressed their conviction by citing specific examples to show the marked differences in performance between high and lower caliber personnel. Moreover, intense as the competition for good people is now, it is certain to increase as more companies in this industry and others step up their efforts to attract and hold them.

Our experience shows this is another problem that requires the dedicated effort of top management. For only top management can initiate the major policy changes required to raise a company's personnel standards—for example, standards for hiring, firing, advancement, rotation, and compensation. And only top management is in a position to ensure that the problem receives the continued high priority it deserves—and needs, if any degree of improvement is to be achieved.

Despite recent efforts by both manufacturers and chains, upgrading people is a major challenge that will take years of dedicated effort. But as we see it, the payoff is well worth the time and effort required. For, in our judgment, it is the
single most important means of improving the individual company's effectiveness, as well as a crucial step in improving trade relations.

* * * * *

To review quickly, our study disclosed a major opportunity for both sides to strengthen trade relationships through attention to internal organization problems. This opportunity breaks down into three pieces:

1. Developing a better integrated approach to problems and issues
2. Speeding up decision making and communications
3. Improving the capabilities of contact personnel.

Since improvement in these areas will contribute significantly to overall operating effectiveness, as well as provide a sounder basis for developing more productive trade relations, they deserve a top priority in every company. And the success many leader companies have had in achieving improvements suggests that the potential benefits are well worth the dedicated effort required.

OPPORTUNITY #5
Communicating Your Company's Point of View at the Top-Management Level

From the foregoing discussion, one point emerges clearly. To capitalize on the opportunities, the active participation of top management is virtually mandatory. Obviously top management cannot do the job alone—people at all levels will need to understand the goals and work together toward achieving them. But the leadership and direction must come from the top.

To provide effective leadership and direction in these areas, top management must have a first-hand understanding of the problems and opportunities that exist. Thus, intercompany communication at the top level is essential.

These contacts are important for other reasons too. On both sides, manufacturer and chain, each company, particularly the major ones, wields considerable influence, and mutual understanding is accordingly more important than ever. Moreover, the very size of some companies in the food industry today means that top management is in danger of losing touch with the day-to-day problems its own people face—and equally important, the problems of the people on the other side of the industry. We interviewed a surprising number of executives who freely admitted that they had lost touch with their field sales or retail operations.

It is true that some top executives on both sides do a great deal to communicate with their counterparts, but our interviews indicated they are in the minority. We found that many key men in both groups rarely see the top people from the other side. In fact, some executives seem to feel that their counterparts actually discourage visits. Not surprisingly, a number of executives who stated initially that they saw many of their trade partners frequently, changed their point of view when they tried to recall specifics and found that months had slipped by since their last meeting. Other top managers said they would be quite shocked to receive a visit from the head of this or that trade partner.
Admittedly, contacts between top managements are difficult to arrange, and they inevitably take time from an already demanding schedule. But the success a few industry leaders have had in developing more productive trade relationships through top-level contacts suggests that the job can be done and will pay off. Moreover, the success stories here include some of the industry's largest companies, so the job can be done by top managements in either large or small companies.

On the basis of our work in the food industry, we are convinced there are great potential benefits to top executives who dedicate the necessary time to this activity. But time alone is not enough. It will pay dividends only if the visits are made as part of a formal program to communicate with top-level executives of the other group. This simply means that they should be planned in advance, for a specific purpose (e.g., to get understanding on a special message, proposal, or counter-proposal). And steps should be taken to follow up on the results of visits.

In summary, although this type of program is labeled "Opportunity #5," it should in fact be step #1 for top management in any company that sincerely wants to develop more productive relationships with its trade partners. With this program as an underpinning, a company should then be able to attach priorities and set up programs to attack other opportunities on a realistic and logical basis. More important, top management will have an understanding of the potential benefits that will enable it to supply the drive essential to carrying through the total program. Without a program for top-level communication, we doubt whether any company will actually accomplish very much. For this type of top-management participation reflects a top-management attitude that is the driving force needed to motivate the organization toward the improvements that are needed.
PERSONAL SUCCESS PROGRAM FOR
SUPER MARKET MANAGERS AND OPERATORS
Dr. Earl H. Brown, Food Marketing Specialist, Michigan State University

Food retailing, a growing and dynamic industry, offers excellent opportunities for the alert and aggressive store manager. Not many years ago it was frequently said that anyone could be a grocer. This is not true today, and it will be even less true in the future. Successful store managers must be competent in several areas. They recognize that they must continually add to their level of information and education.

The store manager's job has changed. He no longer spends very much time stocking shelves, building displays, cutting meat or checking out groceries. He spends most of his time managing—getting work done through others. Hence, he must be well-versed in the functions of management, the process of communications, principles of marketing and economics, effective leadership, and customer and employee relations. Skills in these areas come from education, experience, and continual self-development.

External Economic and Marketing Forces

It has been said that civilization reaches upward from the shoulders of agriculture. It began when one man consistently could grow more food and fiber than he himself needed. Retailers are a part of the fabulous food team, along with farmers, processors, manufacturers, brokers and wholesalers. The accomplishments of this team are unmatched anywhere in the world. It is responsible for a vast, complex and efficient food supply at reasonable prices. Ours is a very high standard of living. In a relatively short time we have progressed from a nation where 1 out of every 4 persons had to produce food to a nation in which 1 farmer can grow enough for 26 other people. Retailers have played an important part in this program.

Today the opportunities for food retailers are unlimited—in fact, they are better than ever before. Just as sure as there will be people eating 5, 10, and 15 years from now, there will be more people, with more money to spend, with more leisure time, with more education, seeking a still higher standard of living. This means a continuing boom for food stores. Not necessarily the same stores or the same kind of stores will partake in this boom, however. Only the alert, aggressive and intelligent merchandisers will survive.

Several key factors indicate the coming boom:

1. Projections from the census bureau indicate the growth in population will reach a minimum of 205 million by 1972, and it may even reach 223 million.

2. Gross national product in the U.S. will increase to at least 780 billion by 1972 and may possibly reach 835 billion.

3. Total personal consumption will expand to at least 507 billion and may reach 536 billion by 1972.
4. Food sales through all outlets should expand 65 per cent over the 1961 level of 73 billion dollars to a record high of 120 billion in 1972. An ever-increasing share is accounted for by restaurants. Retail food stores' share may decline relatively.

Consider these additional factors that will exert a tremendous influence on food consumption and distribution patterns in the next 10 years.

1. There will be a continual upward movement in family income. The average may reach $10,000. More families will have greater discretionary spending power. They will buy more of the nonessentials of life. However, they will also upgrade their diet, buying more of the high quality, high protein foods. Ready-to-eat foods and built-in maid services will flourish.

2. There is a rapid upward movement in the educational level of our population. More people will complete high school and attend college than ever before. By 1972 there will probably be 8 million students in colleges and universities.

3. There will be more people in the young age groups, including teenagers who have a heavy influence on food selection and consumption. There will be far more young marrieds, forming new households, in new locations. There will be more babies. The population over 60 will expand dramatically. Meanwhile there will be a 10 per cent decrease in the prime wage-earning group (age 35-45).

4. Urbanization will continue and intensify. With more leisure time, more activity, more mobility, aspects of retailing will change. But the opportunity for new approaches will increase. Prime locations will be where the people are, in urban areas and strip cities. Rural areas will continue to decline.

Is mass merchandising making the small store obsolete? Certainly super markets, department stores, mail order houses, shopping centers, and discount stores are having a tremendous impact. Small stores have declined; however, they aren't obsolete. Mass merchandising is geared to the bulk of the population. Opportunities still exist for the small store to carve out a segment of the market and go after it. Another opportunity is to lease departments in the mass merchandising stores. It is up to management to analyze the market, set objectives, formulate plans and carry them out.

Management's crucial job is to see the "big" picture. More and more a company's performance is the result of interactions with its external environment as well as factors wholly within the company itself. More and more, management has to be concerned with its industry, its market, its community, government, taxes, labor unions, etc.

Surely internal factors such as store size, layout, work methods, accounting procedures, planning, organizing and directing remain important. Both internal and external factors must be taken into account. One method of thinking in this manner is called the systems approach to management.
With the systems approach, management considers its firm as a part or sub-system of a larger, more complex system. Goals and objectives are defined in relation to the entire system, the country, the industry, the suppliers, the creditors, the customers, the employees, and the stockholders. Decisions are made in the light of their effect on all parts of the system. Often a decision favoring one group is at the expense of another. The rewards accruing to all groups must be kept in balance. This is the systems approach. This is management's job.

General Principles and Functions of Business Management

Management is the process by which responsible persons in an organization combine resources in achieving given ends or goals. It is the process through which the 2 major resources, capital and people, are welded together to yield a profitable operation. In most small businesses, management is the major bottleneck, the major limitation to a profitable operation. According to the Small Business Administration, about 80 per cent of business failures are directly traceable to poor management.

Management is both an art and a science. Some aspects of management can be learned only through experience. Other aspects, however, are subject to principles and theories that can be learned without experience. Certain principles of management are the same regardless of the type of administrative position, be it general manager, director of personnel, director of finance, store manager, church or school administrator or labor union leader. The difference is only in degree. Teaching of management principles is usually centered around these common functions: planning, organizing, directing, and controlling; the argument being that all managers perform these functions and that the common aspects of these functions can be taught.

Planning involves the setting of objectives and then devising the best plan from several alternatives of obtaining the objectives.

Organizing involves assembling and coordinating people and capital to carry out the plan.

Directing involves the processes of communication and leadership in getting people to help carry out the plan.

Control involves the setting of standards, measuring performance and adjusting for deviations.

Financial Management and Control

The store manager who personally attempts to review and pass decision on all matters eventually becomes the chief bottleneck in his store. However, as he delegates authority to department heads he loses some degree of control over the operations of his store. He is forced to rely on strategic control figures to quickly evaluate the performance of his store and the persons to whom he has delegated authority. Budgeting is an integral part of business management, serving both as a planning tool and a master control system.
Budgeting involves estimations of the future, be it a future time period or alternative courses of action. Since the future cannot be foreseen precisely, budgeting is subject to errors and miscalculations. Most firms use traditional accounting records as the basis for budgeting; however, these have to be modified substantially because they are records of past performance and are designed primarily to serve legal, tax, and financial requirements. What is needed for budgeting is "Decision-Making Data."

A simple but first step is to start with the 2 major financial statements available to all firms, the Balance Statement and the Income and Expense Statement. Consider, for example, the simplified statements in Figures 1 and 2. The income and expense statement is modified in two respects. First, expenses are divided into fixed and variable categories. Second, in addition to the results of 1962, a pro forma or estimated statement is shown for 1963.

Figure 1
Balance Statement
as of December 31, 1962

ASSETS

Current Assets
Cash 10,000
Inventory 50,000
Total current assets 60,000

Fixed Assets
Equipment (cost = $200,000, depreciate over 5 years using straight line method = $40,000 depreciation per year. Assume equipment is 2 years old.) 120,000
Building (cost = $200,000, depreciate over 20 years using straight line method = $10,000 depreciation per year. Assume building is 2 years old.) 180,000
Total fixed assets 300,000
Total assets (current assets plus fixed assets) 360,000

LIABILITIES

Current Liabilities
Accounts payable 20,000
Short-term notes payable 50,000
Total current liabilities 70,000

Fixed Liabilities
Mortgage payable 60,000
Long-term notes payable 30,000
Total fixed liabilities 90,000
Total liabilities (current liabilities plus fixed liabilities) 160,000

NET WORTH

Owners Equity or Investment (total assets minus total liabilities) 200,000
## Figure 2

**Comparative Income and Expense Statement**

**Period January 1 - December 31**

<table>
<thead>
<tr>
<th></th>
<th>1962</th>
<th>1963</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$</td>
<td>%</td>
</tr>
<tr>
<td>Sales</td>
<td>500,000</td>
<td>100.00</td>
</tr>
<tr>
<td>Cost of goods</td>
<td>400,000</td>
<td>80.00</td>
</tr>
<tr>
<td>Gross margin</td>
<td>100,000</td>
<td>20.00</td>
</tr>
<tr>
<td>Fixed expenses</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Manager's salary</td>
<td>10,000</td>
<td>2.00</td>
</tr>
<tr>
<td>Building depreciation</td>
<td>10,000</td>
<td>2.00</td>
</tr>
<tr>
<td>Equipment depreciation</td>
<td>40,000</td>
<td>8.00</td>
</tr>
<tr>
<td>Taxes</td>
<td>12,000</td>
<td>2.40</td>
</tr>
<tr>
<td>Insurance</td>
<td>4,000</td>
<td>.80</td>
</tr>
<tr>
<td>Repairs and maintenance</td>
<td>4,000</td>
<td>.80</td>
</tr>
<tr>
<td>Utilities</td>
<td>10,000</td>
<td>2.00</td>
</tr>
<tr>
<td>Other</td>
<td>5,000</td>
<td>1.00</td>
</tr>
<tr>
<td><strong>Total fixed expenses</strong></td>
<td>95,000</td>
<td>19.00</td>
</tr>
<tr>
<td>Variable expenses</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Wages</td>
<td>30,000</td>
<td>6.00</td>
</tr>
<tr>
<td>Advertising</td>
<td>10,000</td>
<td>2.00</td>
</tr>
<tr>
<td>Supplies</td>
<td>4,000</td>
<td>.80</td>
</tr>
<tr>
<td><strong>Total variable expenses</strong></td>
<td>44,000</td>
<td>8.80</td>
</tr>
<tr>
<td><strong>Total expenses (fixed plus vari.)</strong></td>
<td>139,000</td>
<td>27.80</td>
</tr>
<tr>
<td>Net profit (before tax - gross margin minus total expenses)</td>
<td>-39,000</td>
<td>-7.80</td>
</tr>
</tbody>
</table>

One of the major goals of a firm is to make a profit--more specifically, a satisfactory return on invested capital. Figure 3 combines data from the balance statement and the income and expense statement. A careful analysis of this chart shows how changes in various factors affect return on investment. Data from the projected 1963 income and expense statement and the December 1962 balance statement are used to show how return on investment is calculated.
Figure 3
Factors Affecting Return on Investment

Return on Investment (8.50)

\[
\text{Net Margin} = \frac{\text{Net Profit}}{\text{Sales}} = \frac{17,000}{\$1,000,000} = 1.70
\]

\[
\text{Return on Investment} = \frac{\text{Net Profit}}{\text{Investment}} = \frac{17,000}{200,000} = 8.50
\]

\[
\text{Gross Margin} = \frac{\text{Expenses + Profit}}{\text{Sales}} = \frac{183,000 + 17,000}{\$1,000,000} = \frac{200,000}{1,000,000} = 20\%
\]

The modifications in the income and expense statement make it possible to construct a break-even chart (Figure 4). A careful analysis of this chart shows the break-even volume and how much profit or loss can be expected at various volume levels other than the two illustrated in the income and expense statement.
Figure 4
Break-even Chart

GROSS MARGIN (20%)

TOTAL EXPENSES

VARIABLE EXPENSES

FIXED EXPENSES

ANNUAL SALES (000)

GROSS MARGIN AND EXPENSES (000)

LOSS

39,000

17,000

B E

0

200

400

600

800

1000

1200

1400

1600

200

400

600

800

1000

1200

1400

1600

20

40

60

80

100

120

140

160

180

200

220

240
As a further example of how this type of information can be used, consider the following situation:

<table>
<thead>
<tr>
<th></th>
<th>$</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Weekly sales</td>
<td>20,000</td>
<td>100.0</td>
</tr>
<tr>
<td>Gross margin</td>
<td>4,000</td>
<td>20.0</td>
</tr>
<tr>
<td>Fixed expenses</td>
<td>2,000</td>
<td>10.0</td>
</tr>
<tr>
<td>Variable expenses</td>
<td>1,600</td>
<td>8.0</td>
</tr>
<tr>
<td>Profit</td>
<td>400</td>
<td>2.0</td>
</tr>
</tbody>
</table>

Now suppose that sales increase to $21,000 per week and that gross margin remains at 20 per cent. Fixed expenses will remain a constant dollar amount ($2000) but decrease as a per cent of sales. Variable expenses, on the other hand, will increase in dollar amount but remain constant as a per cent of sales. A summary of the results is:

<table>
<thead>
<tr>
<th></th>
<th>$</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Weekly sales</td>
<td>21,000</td>
<td>100.0</td>
</tr>
<tr>
<td>Gross margin</td>
<td>4,200</td>
<td>20.0</td>
</tr>
<tr>
<td>Fixed expenses</td>
<td>2,000</td>
<td>9.5</td>
</tr>
<tr>
<td>Variable expenses</td>
<td>1,680</td>
<td>8.0</td>
</tr>
<tr>
<td>Profit</td>
<td>520</td>
<td>2.5</td>
</tr>
</tbody>
</table>

As a result of fixed costs, the added sales carry a much larger percentage profit than the 2 per cent average. This has important implications for pricing and loss leader merchandising. For example, the data reveal:

<table>
<thead>
<tr>
<th></th>
<th>$</th>
</tr>
</thead>
<tbody>
<tr>
<td>Increase in sales</td>
<td>1,000</td>
</tr>
<tr>
<td>Increase in gross profit</td>
<td>200</td>
</tr>
<tr>
<td>Increase in fixed expenses</td>
<td>0</td>
</tr>
<tr>
<td>Increase in variable expenses</td>
<td>80</td>
</tr>
<tr>
<td>Increase in profit</td>
<td>120</td>
</tr>
<tr>
<td>Increase in profit as a per cent of</td>
<td></td>
</tr>
<tr>
<td>increase in sales</td>
<td>12%</td>
</tr>
</tbody>
</table>

Notice that profit as a per cent of the increase in sales is 12 per cent not 2 per cent. This example is highly over-simplified, yet demonstrates financial analysis and budgeting techniques.

Effective Communications and Leadership

All communication processes and problems can be summed up in the communications model:

\[ \text{Source} \rightarrow \text{Message} \rightarrow \text{Channel} \rightarrow \text{Receiver} \]

The principle of communication is the same in mass communication (advertising) as in inter-personal communication, such as interaction between superior and subordinate.
Basically there are three reasons to communicate: to inform, to entertain, and to persuade. There is a natural barrier between the source and the receiver due to differences in ability, attitude, environment, training, goals and potential. Successful communication is the process of getting through or going around this barrier.

In a study of superior-subordinate relations, Dr. Norman Maier from the University of Michigan found that there was almost full agreement on job duties among only 8 per cent of the respondents. Insofar as job requirements and criteria of performance were concerned, there was almost full agreement among only 2 per cent of the respondents. This study clearly indicates that there is a serious problem of communications, that there is a communication barrier.

Understanding each other, group decision-making, and conferences are perhaps the most effective ways to break down the communications barrier. It is essential that management strive continually to improve their communications system.

**Summary**

It has been pointed out that the manager's job is very complex. He must have an understanding of external economic and marketing forces, business management, communications and financial management and control. It is important that management look at the "big picture." The systems approach is helpful. Your challenge of the future is to meld your two major resources, capital and people, through the process of management. The reward is a profitable business. In many firms, management is the chief bottleneck. Is this true in your business?
As I look about the room, one outstanding attribute of this group is immediately apparent—you all possess that happy faculty of excellent judgement—you chose session B. Seriously, we hope to confirm your choice that this session will be most interesting. You know, everytime I have an opportunity to be on a college or university campus, it reminds me of the time a group of classmates celebrated the 25th anniversary of their graduation. They couldn't help but notice the arrival of one of their classmates. He arrived in a new chauffeur driven Cadillac. His clothes had that expensive custom-tailored look and he wore a large diamond ring to match the multiple caret diamond stick pin in his tie. It was apparent to all that certainly he had done well in the business world. Another of his classmates, a Phi Beta Kappa, with frayed cuffs and shiny trousers, remembered this chap as the least intelligent member of the class. This boy had just barely made it through. Not being able to contain his curiosity any longer, the Phi Beta Kappa asked this fellow how he had made his fortune. His old class mate replied, "Well, I guess I was just lucky. I'm a manufacturer, and the product I produce costs me a dollar and I sell it for $4. And you know those 3 percents really add up."

Speaking of 3 percents, wouldn't it be grand if our industry could achieve a 3 percent net after taxes? Perhaps our program this afternoon will lead us into some areas previously pretty much unexplored which will help us to achieve this kind of after-taxes profits.

Before I introduce the panel moderator, I hope you will permit me to take a few minutes to make a few comments of my own relative to the topic about to come under discussion. In recent years, it is apparent to all of us that we are on a treadmill. Every year we run faster and faster to generate about the same dollar profits. Certainly this is not a healthy condition. In this race, I'm afraid we're like the man in the forest. We can't see it for the trees. We all have lost sight of the fact that serving Mrs. Housewife is a team effort. A team made up of suppliers, wholesalers, and retailers. And, of course, when I say retailers, I'm including the corporate chains. No one segment of this industry can feed America. It takes the efforts of all segments of the industry to get the job done. One of the areas which I feel could stand improvement is the use of manufacturers' promotional dollars. Profits all up and down the line from manufacturer to an eventual consumer purchase, are wasted because of improper use of manufacturers' promotional dollars by the trade. And, to be fair, there is certainly room for improvement on the other side of the fence. Much of this waste is caused by poorly thought out, ill-timed or unworkable programs presented by the manufacturers to the trade. Being a manufacturer, I could probably speak at great length picking off the faults of grocery wholesalers, the corporate chains, and retailers and their relations with food manufacturers. On the other side of the coin, I'm sure Mike Knilans, Jack Kennedy, and Bob Jentes could spend equal or greater time teeing off on manufacturers. However, it occurs to me that it might be wise to hark back to a Bible quotation: "Let he who is among you without sin cast the first stone."

Bearing this in mind, I should like to tell you about a grass roots, if you will, effort made by the Cincinnati Grocery Manufacturers Representatives to approach
Not from the standpoint of what's wrong with the other fellow, but what's wrong with me. About a year ago, we mailed out a questionnaire to 6 chains, 10 wholesalers, and 1,000 retailers and chain store managers in southern Ohio. In this questionnaire, we asked them to tell us which trait or habit they like most in the salesmen calling on them. We also asked them which trait or habit they liked the least in a salesman calling on them. Gentlemen, the first surprise we had was the number of replies. Approximately 90 percent of our questionnaires were answered. Secondly, a tabulation of the replies pin-pointed some of the glaring inadequacies in salesmen in the food industry. The obvious repetition in replies pointed out the shortcomings of manufacturer's representatives and brokers in their presentations to wholesalers and corporate chain buyers. Our tabulation of retailers and chain store managers replies indicated that there is certainly room for improvement in the contacts made by salesmen in approaching this area of the trade. Obviously, the results were interesting and informative. However, it was necessary to formulate some sort of program to make this survey available to our membership. We accomplished this with two panel discussions held at separate meetings of our organization. Gentlemen, the desire for cooperation and improvement is there. This was proven by the attendance at these two meetings and panel discussions. At each of these meetings, the attendance approached 200. The panel comments and following discussion indicates the salesmen in our industry want to cooperate. At this point, let it be said that some of the replies indicated a need for better understanding on the other side. And the comments from the floor were hot and heavy in defense of unfair criticism of our people. I see CGMR is presently considering a plan to carry this effort one step further. We are formulating a survey to be sent to our membership asking for suggestions as to how the trade can improve their relations with other members. Hopefully, this will be followed by a panel discussion. We realize that the success of this program is limited by the interest of the people involved. Our experience to date indicates the interest is there, it only needs to be stimulated. We feel that the Cincinnati Grocery Manufacturers efforts in Cincinnati certainly contributed to the betterment of trade relations within the grocery industry, in our own area. We feel corporate chain, wholesaler and retailer associations can certainly do a little soul searching of their own. There is evidence that they are. The presentation made on The McKinsey Report certainly indicates that. It's this type of approach that will lead to better cooperation and team work in the food industry that can correct some of the obvious inadequacies of our efforts today. A tape recording of the highlights of the survey we conducted in Cincinnati, has been prepared by the Cincinnati Grocery Manufacturers Representatives.

Our panel moderator this afternoon is Dr. Alton F. Doody, Assistant Professor of Business Organization at Ohio State University where he specializes in the field of marketing and distribution. He is a graduate of Ohio Wesleyan and he received his MBA and Ph. D. degrees from Ohio State. Dr. Doody is a marketing consultant for a number of trade associations and private business firms. His research in the area of the changing character of retail competition, particularly the growth and development of so-called discount houses, has been widely received. He has written a number of articles on the subject, and has been the principal speaker before numerous convention groups to discuss this type of competition.
Gentlemen, good afternoon. The theme for this kind of a presentation this afternoon, the idea of trying to get together to explore better relationships, is clearly not a very new thing. However, it is new in the sense that very recently in marketing we have developed something which has come to be called the marketing concept. This is really kind of a fancy word for the thing which we are trying to achieve here this afternoon. And that is, how can we really understand one another; understand one another's point of view and the problems involved at various levels. The marketing concept has been contrasted to the selling concept because of the selling concept being a more narrow, a more selfish type of a thing which is more short-run oriented; that is to get rid of something that you have. All of us, of course, are confronted with the practical necessities of the selling concept, but I believe that as we think in terms of passing businesses from one generation to another, we do feel and we do recognize the need, not only to recognize our own individual pragmatic short-run view points, but a longer view point, and that is trying to understand our customers or perhaps our suppliers, depending upon where we happen to stand in the channel of distribution. And in most cases, we have to understand both the seller and the seller's point of view as well as the buyer's point of view.

The basis of this marketing concept is really another meaning of the word "product." Too often, I believe, that we have gotten the wrong notion about what a product really is. We tend to look at a product as a physical thing, something which contains only physical properties. In reality, of course, a product is much more than the physical thing. It is a whole bundle of values, a whole bundle of utilities. It's the information and the advise from assistants, the time, place and possession utilities which go with a particular product at a particular moment of time. And just so that all of us don't get the notion that this is a very elementary and a very obvious type of thing, I think that we can sight the examples of business firms in the past that have taken this short-run, physical property concept of a product to the detriment of their own firms. Ted Levis, at the Harvard business school, has written a very lucid book recently which some of you may have run across. The title of the book is *Innovation in Marketing*. The whole message that Ted Levis is trying to get across, is that really marketing is these non-physical properties that are so important. He says this is in fact what's wrong with the transportation industries. The railroads, for example, have been in trouble because they have, in fact, been in the railroad industry when they should have been in the transportation business. He cites as another example the difficulties that certain of the petroleum manufacturers are having. He says that the problem with the petroleum industry, in general, is that they have been in the oil business when they really should have been in the fuel energy business. Well, the point of all this is that we do have to look at the broader picture, and we do have to take a very serious look at these kinds of non-physical properties that make up our businesses. As a matter of fact, as we know, this constitutes perhaps a very large portion of the total cost involved.
A product is indeed not a physical thing, and our businesses are not operated strictly on the physical values of the various contributions of the manufacturers, but values of a contact nature. And what we're trying to do here this afternoon is to seek out the very best kinds of relationships between the various levels in our very complex distribution system. We do have here a panel of very experienced business executives. I'm looking forward to it myself and without any further ado, I will introduce our panelists.
Gentlemen, I would like to discuss three specific ideas with you today.

1. Manufacturers who do not think through their promotions thoroughly before they present them to the retailer.
2. Historical or hysterical mark-ups?
3. TV-coupons and me too's.

On the manufacturer not thinking through promotions, I would like to cite a very recent example. Just last week a nationally known canner ran a newspaper advertisement inviting customers to send six labels and receive in return a coupon good for 250 trading stamps or 50¢ in cash. The coupon is mailed to the customer on receipt of the labels and the coupon can then be redeemed by any food store. The accounting procedure here is complicated. If our store redeems the coupon for Buckeye Stamps the coupon must be sent in to our office for invoicing to the canner. On the other hand, if the customer chooses to take the 50¢ in cash, the coupon must be sent to the coupon clearing house directly from the store. Now, I know to the canner it's just 50¢ plus 2¢ for handling regardless of whether it's redeemed for cash or stamps, but to us it is two separate and distinct accounting procedures. The canner could, of course, have helped us by putting a place for our cashiers to check whether stamps or cash were given, (which we requested when the promotion was announced), but I guess he couldn't be bothered.

One of the largest manufacturers of instant coffee presented a nice package recently. It was a decanter filled with instant coffee and costing 40¢ plus the price of the coffee. The State of Ohio Sales Tax Department asked us what we were doing about the sales tax on the decanter. In this state food items are not taxable, but non-foods are. We interpreted this to mean that there would be 2¢ sales tax involved because of the 40¢ additional price on the package. The tax department disagreed saying, if the retail is stated in one price, i.e. $1.83 including the 40¢ decanter, the tax would be 6¢ per unit. In checking with the sales representative of this large manufacturer, he said he had never heard of any sales tax. Another example of manufacturers not thinking through promotions thoroughly enough.

On the subject of historical or should I say hysterical mark-ups, I would like to relate a couple of experiences. Now, it is said that the 9% mark-up we make on soaps and detergents is the result of consistent loss leading and featuring by the retailers over the years. Well maybe, but you know a few years back a chemical company found a formula for a detergent that would work well in automatic washers because of its low sudsing properties. This company had no sales force for packaged goods so they thought the best place to sell this product would be at the appliance dealer who was then selling the automatic washers which were just becoming a factor in washer sales. Now, it goes without saying what would of happened to this chemical company salesman if he tried to get the appliance dealer to handle the product at 9% mark-up. They put their heads together and arrived at a 30% mark-up. Well, as time went on the consumer grew tired of returning to the appliance dealer for additional supplies of the product and started requesting the products in super markets. The super markets in turn began to persist at the chemical company's door.
to let them sell this wonderful product. Seeing this new outlet for their product, the supplier relented. Of course, he made a big mistake because he also let us make 30% mark-up. A few years later, thinking better of it he raised the cost and suggested the retail price remain the same, which lessened the mark-up on the product to 18%. Well, as automatic washer sales grew so did the sales of our low suds product. So much, in fact, that the large soap companies came out with competing products, and low and behold the cost to us permitted the same 18% mark-up at the same retail of this initial low suds product. They explained that this was now the historical mark-up on low suds products.

Well, this isn't the end of the story. A short time back a low suds detergent tablet was introduced and we were permitted to also make a mark-up of 18%. The crowning blow came just a couple of months ago when one of the large soap companies introduced a high suds tablet and at the same time set the retail at a 9% mark-up, explaining that after all this is a high suds product. Well, I'll tell you, to us can-pilers we can't tell the difference. When we unload the case off the truck, cut open the case, price mark and stack it, high suds, low suds, it all seems the same, takes the same amount of shelf space, sells at approximately the same sales volume, takes the same amount of space in the shoppers cart, is just as heavy to carry out to the customer's car and yet we are supposed to make 9% on one and 18% on the other. Isn't this ridiculous?

Another pet peeve we have is the merchandise with the retail pre-marked where the mark-up is not as good as competing items. A good example is a nationally known coffee cake which was pre-marked at 79¢ and allowed a 17% mark-up to the grocer. Now 79¢ is a pretty high price for a coffee cake, but let me assure you that this is the finest all-butter coffee cake in the world. I certainly don't want the baker to cut his quality or his price, but I do object to his setting of our retail at an unrealistic figure. On questioning him on why the retail was not removed from the package or at least raised to perhaps 83¢ or 85¢, he said their tests had shown that the cake would not sell at a retail higher than 79¢. In other words, Gentlemen, they had a product that was unsound economically but they were getting around it by taking advantage of the retailer. Well, it just won't work.

I don't think that it is a coincidence that many manufactured items cost $2.85 per dozen or $4.85 per dozen. The manufacturer expects you to sell this product at 29¢ or 49¢, and I don't have to tell you that 17% mark-up will not keep a supermarket open today. This pricing should be based on the cost wherever possible and I just know it's not possible that all these products can come out at a $2.85 or a $3.85 cost. If just ain't so.

Now, on the subject of TV-coupons and me too's. A few years ago all the manufacturer had to do was threaten to buy a few television spots and you automatically bought his product. Now the television is so saturated with items it is hard to remember what is advertised and furthermore what you carry in your store. The newest gimmick that seems to be gaining in popularity is the running of a newspaper ad with a cash coupon on unknown items. Now, I don't think it is fair for a manufacturer to use this pressure to secure distribution. It used to be the coupons were run to stimulate sales of items already in distribution and we think this is fine, but when every manufacturer who can afford to buy a 300 line ad in the newspaper can force his untried and untested product on all segments of distribution,
well, I hope that we can bury some of these items.

What about extra sizes? Shouldn't there be satisfactory sales on existing sizes before new sizes are announced? What's the economy of a 16 oz., 24 oz., 38 oz., 48 oz., 64 oz., and gallon size of one brand of salad oil that's presently offered to the market? Surely, a maximum of sales could be accomplished with fewer sizes. Practices such as these force the retailer to take action on these abuses. We can't ask the manufacturer to come in and remove some of these sizes. They offer them, they try to promote them, so it's up to us to make the decision, I guess.

What about duplication of the competitors successful products? The Johnson Wax Company tells me that their company policy on new items is this: "The new product must be visibly superior to the consumer." Now it is not enough that a chemist can tell that it is better. The consumer must be able to see the superiority of their product over any competing product before they ever come out with a new one. I don't expect all of you to follow this policy 100%, but it would be a tremendous help to us if more consideration were given to this duplication.

Thank you.
As an independent food retailer, it is my pleasure to participate on this panel today and to make a few remarks in regard to the cooperation between manufacturers, food brokers, wholesalers, and the retailers.

Our store is located in a very strategic spot, inasmuch as we are only three blocks from the Super Valu Distribution Center in Xenia. Many times when manufacturers or brokers are early for an appointment with Super Valu they drop in to visit a few minutes. Quite often they will give us a "dry run" on the idea they intend to present to the Super Valu buying committee. Or, if after meeting with the buying committee, they receive the go-ahead signal, they will make our market their first stop. Of course when this happens they are generally bubbling over with enthusiasm. This enthusiasm, being an infectious sort of thing, is passed on to our people, who in turn put forth that wee, little bit of something extra that it takes to make a success of any particular project.

As an independent, we can be very flexible in promotion, advertising, and display. Our chain of command begins at the store level. When an idea or suggestion is presented we are generally in a position to give it a try at once, if it is appealing. From this position we have been able to observe many of the ideas, tactics, and follow-throughs of numerous manufacturers and brokers. It is from this vantage point that I will make a few comments on the relationship between the manufacturer, supplier, broker, and the retailer.

Communication is of prime importance. --What is your item or idea? --How will it be promoted? --When will it be advertised? --How will it be advertised? --Is there any in-store material? --Will there be a price allowance? --Will your people assist in the building of the display? --Give us this information in SHORT, CONCISE form along with definite dates and hours.

An aggressive retailer is always interested in a display, a promotion or an item that will generate sales at a profit. This is more true today than ever before with the highly competitive situation that exists in most areas. Woe be to the broker or manufacturer that comes to us and in so many words says "My jar of salad dressing has a cost of 52 cents, it will really move for you at 39 cents, " Gentlemen, you certainly don't have to know much to sell a product for less than cost. I'm sorry to say, but food retailers are past masters of the art of selling below cost. I do not believe they need help to do this from the manufacturers or brokers. It's wishful thinking, of course, to even dream we will ever be back to the days when everything was sold at a profit, other than mark-downs. Let's try not to let this loss leader category become any broader than it is. Bring us items that are a good value for the consumer that can be readily sold and still show a profit. It will be advantageous to us all.

We are all aware of the large amount of money that is spent by the manufacturers on beautiful, colorful store material. I would hesitate to even venture a guess as to how much of this goes directly into the trash. A large per cent, I'm sure. I would like to see a portion of this money invested in semi-permanent display pieces that could be rotated from store to store in a territory. A display of mer-
chandise must have a sign on it. If it is a lighted sign, good. If it is a lighted and animated sign, better. If it is a lighted, animated and has a music box that plays "Yankee Doodle Dandy," then we are getting somewhere. Now, if this sign would be lighted, animated, with a music box that plays "Yankee Doodle Dandy," and would fire Roman Candles every three minutes, we would not only have a display that would stop every prospective purchaser that comes into the store, but I'm certain most of the prospective purchasers would become buyers. The Roman Candles would intrigue them to such an extent they would insist that all their friends and neighbors hurry down to the market and see that display that fires Roman Candles every three minutes. A little far fetched, sure, but in today's fast moving space age we have to be spectacular in all we do, if we hope to compete with Telestar, color TV, or the astronauts to gain the attention of our customers.

Any kind of display that is different is good. We had a display in our store a short while ago that was terrific. It was obtained by a broker for a brand of orange drink from a soft water company. It was a wooden barrel with a four-inch glass pipe that extended from the barrel to a giant water faucet that was attached to the ceiling. The glass pipe fit into the nozzle of the faucet. A pump in the bottom of the barrel pumped the water up through the pipe and it came back down the outside of the pipe, giving the illusion of a continuous stream of water cascading from the faucet down into the barrel. A little food color colored the water and we had a fascinating torrent of orange juice coming from the faucet in the ceiling and falling to the barrel that wouldn't fill up. Magic? Well not really. Sales? Yes. Profit? Yes. The orange drink was priced at $0.02 off regular price on a three-can purchase. Baffling? Most men knew how it worked when their wives asked, but they were too pressed for time to explain. Remembered? Lots of people remarked the following week, "Had your leaky roof fixed, didn't you?" That is the type of display and cooperation that is a retailer's dream. The display piece I mentioned could be adapted to any liquid product by merely coloring the water. There are many unusual things that could be made or obtained to tie in with a display; an oldtime spring wagon for a "wagon load sale"; a boat for a "boat load sale"; giant illuminated product reproductions. Anything that has a novelty twist, that is different, will attract attention and help sell merchandise at a profit we are looking for. Try as we do--food shopping for most housewives is still a chore she must do at least 52 times a year. I believe displays of this type will help to add a little spice to Mrs. Jones' shopping excursions. She will reward us by making an extra purchase here and there.

Store Promotions:

Most retailers have at least one big promotion a year. Many have several, such as Anniversary Sale, Old Fashion Days, Wild West Days, and others. Cooperation between manufacturers, brokers, suppliers, and retailers in the promotion of these events can be very beneficial and profitable to all concerned. We have held an annual St. Patricks Day celebration for the past twelve years, and it grows each year. We dress our people in green, have continuous Irish music, give away 10,000 pounds of Irish potatoes, sell an issue of the Irish Press, published in Dublin, for 3 cents. We have a little Irish gift for each lady wearing the green, green bread, and Irish displays. We shoot the works on this deal and have lots of fun. Believe it or not, we show a little profit. We know we will have a
crowd in on St. Patricks Day, and so do the manufacturers and brokers. Fortunately we receive a lot of help from a number of them for this celebration. In turn, we advertise, display, and promote their products. Again, cooperation--it pays off.

Store Openings:

Manufacturers, suppliers, and brokers can and do render a great service to the retailers during store openings and special events by helping to "glad hand" the public, passing out "give-away" tickets, rebuilding fast moving displays, yes and helping to sack groceries when the school boys are not yet available. This group has been of invaluable assistance in the setting up of new stores and in the revamping of older ones. The progress made by a number of companies in setting up complete departments within the stores with the thought of increasing overall department sales without regard to their particular brand has been excellent. Of course it is a proven fact that with the increased department sales, these companies will receive the benefits of an increase in the sale of their brands. Please, gentlemen, for these openings and remodelings, send us workers and not visitors.

Rotation:

Everyone concerned endeavors to sell only a fresh product. I believe considerable improvement is possible with a concentrated effort on stock rotation by all of us, the manufacturer, broker, supplier, and the retailer. If we can make rotation an individual responsibility then possibly we can accomplish this job.

National Advertising:

I often think that the potential of the small city daily newspaper is underestimated in regard to national food advertising. A large share of the market is overlooked. In the case of Xenia, the local daily with a circulation in excess of 11,000 has a ratio in Xenia of 4 to 1 to the metropolitan paper. It would seem the 75 percent of audience that is missed is to the detriment of both the manufacturer and the retailer.

The advertising agencies who handle the national accounts tell us the metropolitan papers fan out over wider areas--true--but the coverage is far from complete. For the benefit of a great number of retailers in the smaller cities, yes, and the millions of consumers in these small cities, it would help to have more national food advertising on a local level.

The McKinsey Report thoroughly covers the need for cooperation and understanding between the manufacturers and chains. These same needs hold true for the manufacturers, suppliers, and the independent retailers.

We are all in business to make a profit, and to make a profit--cooperate we must.
At first glance, the task of coming up with an answer in a few minutes to the question of how to go about improving supplier-distributor relations might seem similar to the task of counting the grains of sand on the Sahara. Literally, there are so many individual pieces making up the food distribution picture—and so many facets of each piece—that a natural reaction might well be—Where Do You Start?

In reality the answer to that question is not so difficult. The size of the industry and the diversified operations of both suppliers and distributors make the need for improved relationships so vital that a good answer might be: Start Anywhere—but not in a random, haphazard fashion. To my knowledge, most responsible firms have avoided a random approach—and have in fact started sensibly—surveying the similarities, differences, and problems of the industry's members.

The McKinsey Report has done much to re-emphasize the importance of developing sound working relationships and has suggested some specific areas for joint effort. Procter & Gamble, like other manufacturers and distributors, has recognized the significance and thoroughness of this study, and we are happy to have participated in its development.

In the February issue of CHAIN STORE AGE, Frank Vamos, Vice President Merchandising of the Kroger Company, commenting on the responsibilities both manufacturers and distributors must shoulder in developing sounder working relations, said:

"Some of your problems and ours are:

1. Having to go through too many departments or individuals to get decisions.
2. Slowness in taking action.
3. Lost motion growing out of poor communications...and other outmoded practices that increase your costs and ours."

We honestly feel that the establishment of our Trade Relations Division in 1958 as a full-time operation has provided P & G the means to help solve most of the problems cited by Mr. Vamos.

While we realize that the surface has just barely been scratched in supplier-distributor relations, we feel at the same time that some of the things already accomplished are significant. For example, as a manufacturer, we were aware for some time that the over-all contact between us and the retailers and wholesalers had been split up in many ways because of diverse product interest. As you well know, we had changed between 1955 and 1958 from strictly a soap company to a grocery supplier of soaps, shortening, food items, health and beauty aids, and in limited areas, paper products. Therefore, when we established a Trade Relations Division the objectives we set were broad enough to cover all our departments, yet specific enough to provide top level contact to make action possible.
Simply stated, our objectives are:

1. To assist all Company departments to develop and maintain good customer relations by providing an additional point of contact somewhat above the normal range of product selling.

2. To provide background and hopefully improve the trade's understanding of the kind of a Company we are and the way we do business.

3. To learn as much as possible about our customers' plans, problems and operations at both the warehouse and retail level and to make this knowledge available to P & G management so that our policies and promotional efforts achieve maximum compatibility with those of our customers.

We have found from our experience to date, and the McKinsey Report has tended to confirm it, that the establishment of this point of contact has enabled us to acquire a new and better understanding of the fast changing distributor's business, and we hope vice-versa. At the same time, we have been given an opportunity to explain more fully the background of some of our policies and procedures of doing business, things that many of our customers have indicated they wanted to know. This two-way exchange of information, in effect, is improved communication at work, a necessary ingredient to improved relationships.

It has helped cut through red type to get to the center of our respective business philosophies, objectives, and problems, and it has permitted effective action in many areas. The results, up to this point, are encouraging and point to things that can happen in the future, in fact, some of the things already achieved are in themselves exciting and satisfying accomplishments.

For example, as a direct result of our frequent trade relations contacts we have found that suppliers and distributors can often use similar techniques to solve common problems. One such problem where suppliers have experience and know-how applicable to their customers is in personnel development. Since our customers expressed to us an interest in our training practices and because we wanted to make some kind of worthwhile contribution to them, last year we undertook the development of a film on training, designed to motivate the trainer to do the best possible job, and to give him some definite instructions to follow.

To conclude I would like to indicate what we believe the industry needs in order to continue to improve relationships between suppliers and distributors. The first is -

A serious intent. Both parties must honestly be seeking a better understanding of the industry and each other, and must seek mutually beneficial changes. It does no good for the man on only one side of the fence to get into it; rather it is necessary for both distributor and supplier to take an equally realistic approach. I might add here also that the size of the company makes no difference as to whether this kind of trade relations can be carried out and, in fact, many smaller companies whose top people are interested, can often do an even better job.
Development of a trade relations philosophy. This requires that companies communicate internally as well as externally. It further means that all company representatives understand and promote the basic parts of whatever platform exists. Trade relations men should reflect the trade's view to their company, as well as the company's view to the trade.

As is true, without exception, to every other facet of the business, capable people are a must. Good trade relations men, whatever their titles, must be conscientious and willing to follow through to conclusion anything that would appear to benefit the industry—even the little things that might otherwise be by-passed because of the constant demands of management deadlines, plans, sales results, and so on.

The atmosphere within the food industry has never been more favorable than it is today for putting these concepts to work. Managements of suppliers and distributors alike are looking intensively for ways to achieve better profits. The avenue to profits, in our way of thinking, lies in a trade relations attitude permeating the entire organizations of manufacturers, retailers and wholesalers.
Good afternoon, Gentlemen. It is indeed a pleasure to be here with you today and since we are here for a definite purpose, I feel quite sure that the speeches you have already heard and those that you will hear will certainly give you plenty of material to take back home with you.

A few weeks ago, I had the opportunity of spending a little time on the West Coast. And knowing that I would be here with you today, I asked a lot of questions of chain buyers, merchandisers, wholesalers and retailers, just the same as I did in Cleveland. If it is true as the old saying goes, that life is just a series of mistakes, then according to these men I talked to, the grocery business has been built on nothing but a continuous string of mistakes, one right after another. Yet in spite of all these errors, this business has become the biggest in the world. Not because of us, but in spite of us.

Now let's take a look at the supplier-retailer-wholesaler relationship from a brokers viewpoint. And as I believe the other speakers have mentioned, depending on what facet or branch of this you try to pick out, you could spend hours talking about it. So let's just try to pick out a few points very hurriedly. But before I start, please let me make two points clear. First, although I represent the National Food Brokers Association as their representative covering the state of Ohio for 1963, any remarks I make are strictly mine whether at this time or in the question and answer period, and have in no way been sanctioned or approved by that body. Secondly, let us also recognize that there are good brokerage firms and better brokerage firms just as there are good and better salesmen, cars, hotels or most anything you want to name. So when we are talking about a broker or a broker's retail merchandising man, we are talking about an organization that is established and can give definite retail coverage. Now I think it is too elementary at this time to go into what is a broker? what does a broker do? why a broker? We all, I think, have a basic foundation, although some principals may question that. Well, let's get into the relationship of broker and supplier. In this case, the supplier is the boss. If the supplier sells his products nationally, he, of course, has to make his promotional plans on a national basis. But he shouldn't disregard local or even regional situations. In most cases, the supplier has an advertising agency handle the placing of the advertising involved. And these agencies are many times a few thousand miles away from the local scene, and can only go by rating charts. These don't always tell the story. This was pointed out just recently. A principle came in and as you probably all know, this is about the 96th day that we have been without newspapers in Cleveland. So the only point of advertising that is in the budget that this particular principle could use, was radio, which was fine. So they lined up the program. The product was one that would appeal or would be bought only by adults. So the agency bought two radio stations--fine. But, they bought the two radio stations that nobody but teenagers would listen to--rock-and-roll stations.

The broker would certainly like to be considered where possible on the type of advertising to be used and stations involved in their area. But certainly they don't want to be the middle man between the supplier and the agency. Nor can they be expected to educate the agency man as to the workings and the finer points of the grocery business.
Promotional plans and advertising schedules are pretty much now being released far enough in advance so that the retailers and wholesalers have sufficient lead time. But that has not always been the case, so things are improving. Recently, I had an occasion to attend a sales meeting in which the entire promotional plans on this particular line for the entire year of 1963 were laid out. I think that is a case in point.

Point of sale material is another area that has caused quite a bit of confusion. I believe that most suppliers still supply point-of-sale material without checking with too many retail concerns as to what they will permit in their stores. But probably, through a long series of trial and error methods, something has been made up that is objected to by the fewest retailers, and that type of material is used. That I have two very good personal experiences with. One goes back a number of years ago. A very big concern came out with a display piece that was beautiful. At that time, if you go back a few years ago, if you were paying $23.00 for a single display piece, that was a pretty high price. This piece was beautiful. It was a floor display with a lot of art work on it. There was only one trouble with the display piece. It only held 48 packages of this certain product--2 cases packed 24. Where was the place for the display? In the back of the display piece. In other words, the display piece was all in front, the merchandise was in back. Needless to say, this was used in very, very few stores. Another case in point happened just recently. This particular display case went to the other extreme. This piece was probably the most elaborate display piece that I have ever seen. It stood between 9 and 10 feet tall on a pole, and actually to put the thing together, a merchandising man would at least need a graduate certificate I would say from Ohio State University Engineering School. I know it took one man that I know 2½ hours to put it together and then he had to go out and buy extra parts. Well, what I'm getting at is this; with this elaborate display piece, it took X number of man hours to put together, took it out in the store, and the idea was so costly it had to be transferred from store to store to store. The idea was put exactly, as far as I can tell, in three stores. Now there is money wasted. I think further closer examination and better working opportunities with brokers and buyers and so forth would point out the falicy of this idea and get into things that are far more practical and less expensive.

Advice on competition. This subject works both ways. The brokers should inform his principle of any new competitive item on the market, the price, advertising and deals. And then the supplier should advise the brokers of the same information as they learn it from various markets. I am very happy to report we are receiving communications from several of our principles advising what is being tested in various markets and to be on the look out for it in our markets.

It might seem as though there are many areas for improvement between broker and supplier, but really there are not. Most suppliers are doing their utmost to not only cooperate more closely, but to really consider the broker part of their selling family or team and keep us as fully advised as possible. To further cement the relationship between supplier and broker, I would like to make a suggestion. A better use of advisory committees. The use of these committees is spreading as more need can be seen for them. In each instance, the top 8, 10, or 12 brokers representing a supplier are called into a group meeting with the suppliers, sales
manager and men, and such subjects as promotions, advertising, pricing, packaging, displays, deals and so on are discussed. I have been on several of these committees, and am still on two. And since these men are from all parts of the country, many ideas are exchanged which generally prove very beneficial to the supplier. Remember this committee advises only and has nothing to do with policy making.

Another case in point is the recent national sales meeting I attended with what they called "operation round table." Here all the brokers of this entire company were in attendance. They were divided into six groups, each group headed by one or two of the company's men, and these same topics discussed. What can we do to increase sales; high prices, structure, advertising and so forth? They're doing the same thing as the advisory committee, however, they are tying it in with their own sales meetings. I believe that you can easily see that from everything I've said up to now, the communication is the all important word. Not only from the manufacturer's standpoint, but also from the broker's standpoint back to the manufacturer.

Last but not least, the broker and the retailer. This subject, too, could be discussed for hours. Very briefly, the broker's retail merchandising man has replaced the old back-slapping, life-of-the-party drummer. Instead, we have a man who has been trained to (1) know his products and its advantages, (2) know competitive situations, (3) know his market, (4) take care of problems such as report complaints, take care of damages, check items, (5) feel confident, (6) willing to cooperate, (7) regular rotation of calls, and possibly most important of all, (8) work out promotions and displays to move merchandise.

I've heard and read many times that the retail merchandising man is not an individual such as Joe Dokes. But he is the X, Y, Z Company or the Better Sales Brokerage Company. In other words, he is a company and the retailer is dealing with the company and not the individual. His main strength is service, and he succeeds only as his customer succeeds through the service and interest he has in them.

So, very briefly, Gentlemen, the relationship between supplier, wholesaler, and retailer can be improved by constant and a better use of the two magic words—communications and service.
The area that I wish to discuss today, is one that is serious in every retail store, chains and independents alike; a problem for the manufacturer, for warehouse and retailers. This problem is "space allocation". We try to help our IGA stores with this, by running a commodity analysis for them at their request of their purchases in every four week period. This is the best method, that we know of at this time, in determining whether there should be more or less facings, or the items to be deleted. In the near future, we will have installed the new 1440 IBM data processing machine, and a commodity analysis for our IGA stores should be as common as a monthly statement. So, you see, from the warehouse to the store purchases, we can control or do a fairly good job of helping the retailer with space allocation, and help his gross profit. But, since we are only a part--a large part I hope--there are other departments which we do not control. We are working toward that day when every item going into that store will be billed and paid for through the warehouse. When that day comes, then and only then can we help 100% on space allocation, distribution and profit. We then can retail everything going into our markets and give our IGA members a picture of anticipated profits. We have been making various product analysis in our markets, and I would like to cite you one small but important incident. This was in a market with a sales volume of $40,000 per week. The department that was checked was the cracker and cookie section. Up until this time, the salesmen who took care of this department wrote their own ticket. Two cracker companies were involved and without their knowledge, the store owner made a 5 weeks' check. Fifty-seven items moved out only one case each in the 5 weeks' study; 38 items of one company's products and 19 of the other were discontinued. You know the answer. By eliminating these space snatchers, the fast movers were given more space, and we know that our distribution will be greatly increased. We want turnover in our markets and we need the manufacturer's help. We realize that companies spend a lot of money developing new products, but by the same token, a lot of money is spent by our company and by our retailers in opening these new modern markets. We can only go so far in stocking so many items in our stores--after that, something's got to go. When an item sells well, it needs more facings, but when that item fails to get the proper turnover, it has to be eliminated. By why should we be the hatchet men? The broker or manufacturer should share this responsibility! Many do, believe me. Another incident occurred several months ago which caused us to wonder about the good intentions of our manufacturing friends. Again this is where we need help in distribution. We, at McLains turned down a certain item because we felt it didn't represent the profit desired to justify the space. The following week this manufacturer's men contacted our markets and sold the product and delivered it in their cars. This is all well and good, and we burned a little, but this isn't the reason for our slow burn. You see, since then the manufacturer has discontinued the item and, of course, some of our so called "good buyers" are stuck with the product. Now I'll admit we should have better control at store level, but there are times when a good salesman, respected and well thought of by our retailers are misled by the companies they represent.
I could go on and on, and it might appear by what I have said that we are anti-social towards brokers and manufacturers, but that is not true. We feel they must up-grade their programming and streamline their planned promotions--give their men more information that can be of some use at retail. This is what they have been telling us for the past 20 years to do. We need help at the warehouse and retail levels; better promotions, better planning, and better informed people calling on us at warehouse level.

I would also like to drop a hint to the dairies, bakeries and beverage companies especially. How about up-grading your invoices? They are the same today as they were 10 to 15 years ago. I won't go into what we think should be done at this time, but if anyone of these people are here and listening, I would be glad to see you personally or write you as to what we think should be done to help the retailer. This might be a small item, but these small details are important as every thing is important to good store operation.

Gentlemen, this is just a small area I have rambled on about and it would re-quire many more times the ten minutes allotted me to discuss other sections of this gigantic food industry--of which we are a small part. So I must spend the next few seconds and speak of another facet of this business that is a great concern to us at McLain's and that is "People". Yes, the caliber of people it takes and will take to operate markets today and the kind of market we are planning for tomorrow. We have, at least, ten sites for markets and every site should have a market on it and operating if we had the qualified people to operate them. Our hope is that more universities, such as Ohio State, can be made to see our needs; and that all of us can pool our knowledge to help them develop and train people for these most important jobs of tomorrow. Yes, I would say that today people are the most important part of our program. We need specialists in the kind of markets we are opening today and will open tomorrow.

In summarizing, let me say what we complain about today is up-grading tomorrow. My concern is that I hope I'm not alone in what I think. If we can have more of these sessions and talk about our goals loud and long enough, maybe someone will hear and a problem be solved.

Thank you.
Q. Why do some chains place a nationally advertised brand of product out of reach of the consumer either in terms of price or display?

A. We have never tried to manipulate or direct the consumer. The customer in our stores is always right. This pertains to whether you are bringing something back or taking something out. We have our own labels that are sold only in our stores, controlled labels or whatever you want to call them, and we do feature them. The reason we feature them primarily is because of the profit in them. The sales of them are good. But we have never by direction, and if this is done I would like to know where, we have never by direction put the nationally advertised brand out of reach either mark-up wise or up on the shelf beyond where they could reach it. The national brands in our stores get very good position and, incidentally, they get very good sales. We think they can live together. Frankly, there are some categories we have a devil of a time ever getting our own control labels started. There are other ones where it is far and away the leading item at anywhere from 10 to 15 percent mark-up. We don't know the answer, but we don't manipulate customers. The customer is the boss in our store.

Q. What is the desired lead time for a promotion? In other words, how much time should we give to the chains, the wholesalers and the retailers on our promotions so that we can tie our promotions in and they will be authorized by them?

A. I am not trying to evade the question, but I think this depends on the type of item. In other words, some can be more seasonal than others.

Q. I think the reason for this question as it was pointed out here, was a lot of times we have promotions which we can not come up with too rapidly. In other words, it may be over a month before we find it out and some times it takes 6 weeks to get in to see the person to get the promotion authorized. Now how can we correlate this thing so that we can present our promotions to get them authorized with you people? In other words, how long in advance do you set up your displays for promotions?

A. We're set up now I would say 6 to 8 weeks ahead of time. But, for example, when we have Kraft week, we know very well that's going to be in next June. And obviously very little can be worked in that Kraft week. But another item we could take on tomorrow morning if we want to or within 2 or 3 weeks. I'm no creditor or repeater of major promotions, but the committee being divided, nothing else could possibly fit in there. But one single item like wall paper cleaner, we could do that most anytime.

A. Three to four weeks we would prefer. If it's less time than that, we will try to work it out, but three to four weeks if you possibly can give us that much notice.

Q. I'd like to ask Bill Stautberg a question. He said Cincinnati's GMR sent out a questionnaire that asked; what do you like most or least in the men who call on you. Would you care to give us the answer?
A. I had hoped to stimulate your curiosity there, and apparently I did. For example, manufacturer's representatives and broker's salesmen calling on chain stores, and without permission moving display merchandise. In other words, changing shelf arrangements without any prior consultation with the manager of the store. Coming into a chain store and approaching a stock clerk and essentially by-passing the manager and management of the company, endeavoring to get unauthorized displays; sort of a back door approach. Retailer's complaints on the failure of manufacturer's salesmen and broker's salesmen to follow through on picking up of damaged merchandise, redemption of coupons, etc. These weren't just isolated answers. Remember there were over a thousand questionnaires that went out with obvious repetition of the answers; certainly there must be some basis here for this comment. Approaching it from another level, for example, the questionnaire sent to the chain and wholesaler buyers; one of the most obvious complaints that you heard there was about broker's and manufacturer's representatives calling on buyers and merchandisers and explaining and presenting a long drawn out promotion and then leaving the buyer and merchandiser without any written fact sheet for him to convey this information to the other people in his organization. This man sits there and every 15 minutes he talks to another manufacturer's rep or another broker, and he hears maybe 25 promotional plans in one day. And here is the representative or broker as the case may be, calling on the buyer without giving him assistance to remember every detail. Possibly this is one of the reasons why our promotions don't get the follow through and get fouled up. They don't go through the way we expect them to because we don't follow through all the way. We don't present a fact sheet so that this man two days from now can refer to the fact sheet if he missed something.

Q. Mike, do you use a buying committee?

A. Yes, we do.

Q. When do they meet?

A. Thursday afternoon.

Q. How long does it take?

A. From about 1:30 'til 6:30.

Q. From your recollection, do you recall whether you bought Les Toil when the salesman called on your buying office, or did you wait until he bomb-barded you with television spots and then demand was so great that you had to call Buffalo or someplace to get the stuff?

A. When the Les Toil salesman called on us, we had already sold 10,000 cases.

Q. Before you even had it in the warehouse?

A. Yes, and he was unaware of this. This was one of the strangest things that ever happened, that I can recall, in recent years in the food business. We
have a store in Mansfield, Ohio, and Les Toil, coming across the country, broke in Cleveland before it broke in Columbus. We had our store manager continuing to call for a produce called Les Toil. We asked him what it was. Well, he didn't know what it was; the only thing he knew was that people wanted it and they were carrying it on the Cleveland television in Mansfield. Well, we asked him to get us the name of the manufacturer and his address. Well, he couldn't get that. But we finally ran it down a week or two after his first request for it. So we ordered 20 cases. We sent it to him direct; called the plant in Holyoke, Massachusetts, and ordered it. And on, I think it was the following week, Friday morning, he called me and he said, "I need 50 cases of Les Toil." I said, "You got 20 coming to you; it'll be there any day." He said, "It got here yesterday." I said, "Well, what do you need it for?" He says, "I just sold it." I said, "You mean all 20 of it?" I said, "you know it sounds like a salesman talking, not a store manager." So, he said, "Yes, and I want 50 cases." And I said, "All right, I'm going to get it for you." That night watching television, here came a Les Toil commercial--on Columbus television. I called our buyer at home that night about 11:00 at night, and I said first thing in the morning call Holyoke, Massachusetts, and get a truck load of Les Toil. And he says what for? And I said, I just saw the first commercial here; they're going to do the same thing here. So we got a truck load in about 3 days later, and I think we had sold 10,000 cases when the salesman came in to call. He said, "I'm from Les Toil, do you happen to need any?" And we said, "Well, we've been stocking it for several weeks now." And he was actually unaware of this. It's a very strange case.

Q. In other words, it did not go through a merchandising board?

A. Not on that particular item, no, we couldn't wait for the board.

Q. Do you consider this a most ethical approach to new item sales?

A. I would say this, I don't think I would introduce a product that way. But I can't quarrel with their success.

Q. No, you can profit from the idea. So if another new item comes in the same way, you're not going to argue with them are you?

A. We won't know that it's another product like that any more than it's like hula hoops. The next hula hoop, we don't know when it will be.

DR. DOODY:

It's always good, I think, to close a program with a success story, and that one certainly has been one in this field. I'm not going to even try to attempt to summarize the points that were made by the individual participants, only to hit the highlights in the most brief as possible manner.

Bil Stautberg mentioned an example, specifically in Cincinnati, of a serious attempt to get at some facts in order to do a better job. And on the basis of the studies that are being made there and the information that was collected in the survey, it looks like it was certainly worth everybody's time and effort do so.
Mike Knilans brought to the group his very fine experiences in his organization. He talked about the kinds of things that the manufacturer may overlook with regard to the difficulties in the accounting records and so forth in trying to get some of these promotions through the whole system. He talked about the arbitrary nature, what he called "hysterical mark-up", in certain kinds of product lines; the extra number of sizes and variety of others.

Jack Kennedy mentioned a number of things that apparently are important to him in making his store successful. The need for such things as more permanent and better looking fixtures in promotion, such things as the importance of newspaper advertising, and a variety of other subjects, all of which are probably a reflection of the kind of strength which can be had in his store and those like it. I'm very intrigued by this whole development or the renaissance in this independent store movement. I think it was not long ago that the president of Food Fair made a speech and what he said in effect was, "Put me next to a chain any day, but let me look out for those crazy independents." He says, "You can't get your arms around him. They just slip out every time."

Paul Parrette brought to us the attitudes of Procter and Gamble with regard to the importance of getting this kind of information up and down the whole channel of distribution; the importance of getting some more contacts from one top to the other top to try to get a better fix from another point of view; the importance of the kinds of things that large organizations such as his own can bring to other levels of distribution.

Bob Jentes talked about problems which have been with this industry for years, but it goes to show you that we still haven't solved them all. The importance of space allocation is clearly not new, but certainly we have a lot to learn about it; the whole idea of commodity analysis, the importance of electronic data, the processing systems as they become more significant in this industry that certainly should be viewed and looked at and not only by those people who already have them, but by those people who will probably be getting them in the years to come.

"Bud" Swinton talked about the importance of what we would call in the university, perhaps, marketing segmentation—the idea of making certain that national promotions and promotions that are designed by larger firms can actually fit in with the situation at the local market and another way of saying, perhaps, that you've got to take a rifle to hit the bull's eye.

In summary I would just like to say that it's been my observation that this program has really not introduced anything which is of a significantly, profoundly new nature. All of the things that were mentioned here this afternoon, have been talked about in one form or another many times before. But in closing the program, I would like to close it on a note that goes something like this: I recently attended a conference in the East and a very important and well respected executive in the department store got up and he made a speech about sales training as it applied to department store retailing. And when he got finished with his speech, one of the members of the audience was somewhat critical about the fact that really this man had taken time to go over what had come to be recognized, I guess, as fundamental to sales training for retail stores. And he got up and he said in effect that the speaker really had not told him anything new. Now the answer, I thought, was a superb answer and I think I will close with it. The reply was: what's new about sales training is to do it.
Work simplification is not magic. It is neither mysterious nor complicated. Work simplification is merely the organized use of common sense. Perhaps you wonder why we need to spend time improving our ability to use common sense. Unfortunately, most people see only what they are trained to see.

Through the work simplification technique that we will be discussing, we will learn to substitute fact for opinion. We have all heard opinions expressed such as: "I believe that"; "I think that"; "Everyone says that"; "I know that." Instead of relying on such opinions as these, we will substitute facts for these opinions and work on the cause of a problem rather than its effect.

Work simplification is important to the supervisor, employee, and consumer. We can visualize the importance of work simplification to the company by comparing the relative profitability of labor savings from work simplification versus an increase in sales in an individual store. (Illustration of sales increase versus labor savings necessary to produce some amount of net profit.) Thus, for example, if through work simplification we can save four hours of labor each day at a rate of $1.50 an hour, it would be the same as increasing sales $125,000 per year. Food stores are being faced with increasing wage rates and this is making it increasingly important to save man hours by simplifying the work done in the store.

A detailed time study conducted by The United States Department of Agriculture on how time was spent in supermarkets, reported that there was ample opportunity to save time by simplifying the work. Only 40.2 per cent of each hour spent by employees was spent in productive work. Fifteen per cent of the time spent was the result of poor equipment. Unproductive work and busy work accounted for 22.5 per cent and 6 per cent respectively. Lastly, personal and delay time accounted for the remaining 16.3 per cent.

You as supervisors and/or store managers will also gain from increasing the operating efficiency of your store. Your advancement in the company is dependent upon the success of the entire company and the productivity of the people working for you.

Store employees will also benefit from work simplification. Often your greatest task in simplifying work will be to convince the employee that he will benefit from changes. Once employees understand the real purpose of work simplification, they become a cooperative member of the work simplification team. For in the long run, they realize that their wages are equal to the productivity of their labor.

One factor often overlooked when considering work simplification is the fact that good work methods result in a better product for the consumer and will enhance store sales. For example, many times islands are out of stock on the display floor when that item is available in the back room but cannot be found because of poor back room organization. Especially in the meat department and produce department
Where products are perishable, work methods are important in determining the quality of the product. Improper trimming in the produce department in many stores causes considerable waste of product and an inferior product for the customer. Improper storage, handling, and packaging of meat, likewise causes early discoloration. Later on in our discussions, we will cite additional instances where good work methods are essential to product quality.

Thus, everyone benefits from work simplification.
1. Lower costs and increased sales for the company
2. Advancement for the supervisor
3. Higher wages and easier work for the employee
4. Better products and services for the consumer

Where Is Work Simplification Used?

Work simplification is not confined to the food retailing industry. In fact, it has been used by most industrial concerns for many years. By everyone, everyday, on everything. Work simplification is used everywhere because people do things without thinking.

Here are some other examples of work simplification in everyday life. The pencil with the eraser on the end of it enables us to erase mistakes without reaching for an eraser. The adjustable ironing board can be used to work at either a sitting or standing position. The grass catcher on the lawn mower reduces the necessity of raking grass, etc.

Though work simplification is used everywhere, it is an especially effective technique for handwork and material handling jobs. These are the most common types of jobs in the retail food store.

Why Not Leave Work Simplification To The Expert?

By now you are probably wondering why can't someone else do work simplification other than you. After all, you have enough to do with supervising the day to day activities and directing the merchandising efforts. There are several reasons why the store supervisor, store manager, and the worker doing the job should work together on this task.

1. Familiarity with the job
2. Savings on small tasks
3. Constant changes in conditions
4. Improvements get adopted
5. Better workers

On many jobs, the only one who can effectively make many improvements is the actual person doing the job because he is familiar with it. Many small improvements do not require the full talents of an expert and can be made by you. This is especially true in the retail food store where conditions are constantly changing. However, probably the two greatest reasons for having you and the workers doing a job and simplify it are that improvements are adopted more readily and workers feel a part of changes when they are involved in them.
How to Do Work Simplification

The Five-Step Technique
Step 1 -- Pick the job
Step 2 -- Write down each step
Step 3 -- Challenge every detail
Step 4 -- Work out a better method
Step 5 -- Put the better method to work

Here is a five-step technique that can be used to improve any job. When you have gained experience in work simplification, you will find that it is a continuous process of repeating these five steps. Each step is done in the order as listed. As you gain experience, you will also realize that there is no best way, but always a better way to do a job.

Why Bother With All 5 Steps?
1. Effort is concentrated on a major problem area
2. Time is saved in making improvements
3. Real improvements come from orderly thinking the job through

By using the five-step technique, we can concentrate our efforts in a major problem area. Too often, step 1 is neglected in work simplification. The result is a lot of time spent making substantial savings of such a small portion of the total job that the total impact was insignificant. When we use the five-step approach, the time we spend on making work methods improvements is greatly repaid. However, the real reason for following all five steps systematically is that real improvements are the result of orderly thinking the job through. We must always be on guard against making flash improvements. These improvements are improvements which on the surface look like real improvements but upon examination and in actual practice fail to reduce labor or equipment costs.

(EDITOR'S NOTE) At this point, Mr. Ritchey discussed several examples of work simplification in action, particularly in backroom layout and operation. Unfortunately, this portion of his presentation would be meaningless without the accompanying visuals, which are not available.
TED SHAMIE:

In preparation for this visit, I asked a learned sage of this field about MEETING THE CHALLENGE OF CHANGE. He answered, "The real challenge must come from within. It must spring forth from within an individual compelling him to rise to a higher level of maturity!"

In short, gentlemen: . . . our nation, our society, our business can only evolve to a finer state after we individually and collectively become prepared to accept change and its many new perspectives of responsibility.

Regrettably, I can't help but surmise that much of the world about us today has not ripened to good change. Instead, in too many areas, we find a depreciation in the quality of goods, services and merchandising practices. I do not believe that as good Americans, any one of us can much longer afford to sit back and accept some of the changes taking place in our world of today.

In the business of foods, we have untold examples of good and bad practices. This largest industry has become a fluctuating, expanding giant determined to grind out more sales volume and fatter profits each year. As such, it has opened the door to short-cut policies and a complacency among segments of our trade which cultivate and nurture unhealthy changes.

A look at most of the good retail grocery operations of today indicates that their marketing standards were set by a specialist in produce, meats or dairy products. These men were buyers and sellers, attuned to a fluctuating price market in perishables.

They were constantly on guard against shrinkage and spoilage, and could move with dispatch in seizing a marketing opportunity. In the hearts and minds of these merchants welled promotional ideas that would shame a P. T. Barnum. These pioneers who contributed so much to our industry's postwar boom were Merchandising-Showmen.

They knew that even in this day of refrigeration they could sell more beer from barrel displays packed with crystal-clear, melting ice. For they were psychologists -- recognizing that the visual impact of beads of icy condensation on bottles or cans was stronger than that offered by a refrigerated cabinet. They knew that this impact said: "This beer is ice cold, chilled to quench the dryest thirst!!"

Yes, I honestly believe that we are falling short of meeting the challenge of change. We have erred in permitting a position of bigness to impose a restrictive arm upon the merchandising ingenuity of our entrepreneurs... the showmen... the wizards whose talents elevated this industry beyond the 50 billion dollar a year mark.

It is said that it is a woman's prerogative to change her mind. Surely, we of the food industry should consider a change of heart. It is timely when we realize that too many of us have become too engrossed in today's competitive whirl, moving at a breakneck speed of grabbing off choice locations for more massive Taj Mahal shopping centers... we become so involved with the details of preparing an elaborate 32-page Annual Report for stockholders, or find ourselves frozen to the chair-
man's chair determined to top this year's charity drive quota (because we're told, it's good public relations). . . we discover that these things and much, much more have enmeshed us in a business and social world that compels us to neglect our basic business needs.

Of what value are seventeen new markets opened this year, if we don't have the right people to boss them?

What good is good public relations, if our own people are not instilled with the enthusiastic spirit essential to a growing business?

What worth is an eight-page advertising spectacular if in layout, copy, prices and theme it is not unlike that of our competitors?

How substantial is our growth, if it dims our creative, imaginative spark?

And, how strong a customer franchise do we really hold, if we discard and curtail the merchandising practices that make it a thrill to shop our markets and give our stores an identity that is uniquely ours?

Certainly I am not advocating against change or continued growth. Just how big are we? This is the way one of our ten largest chains answered the problem of a thieving manager.

This company established a school for check-out clerks in the basement of one of their suburban stores. Classes were held each Monday, Tuesday and Wednesday evening. Whereupon, late each Wednesday night, the manager and his assistant would bring the trainees' register up from the basement. Thus, they had their own special checkout—take from the heavy Thursday, Friday and Saturday traffic.

After the inventory discrepancy passed $100,000, an investigation was undertaken and the thieving manager and his accomplice were apprehended.

Now comes the believe it or not shocker. The chain did not press charges, nor did they fire the crooks. Instead, they were transferred to stores in another division—-and eventually the manager was returned to his original suburban store because business had slipped in that unit after his transfer!

No! I am not against growth. But we can't look forward to playing in the Rose Bowl unless we can field a first, second and third team of world beaters!

It took our industry far too long to realize that Centralized Control is not practical in this era of giant marketing.

Chain or independent, each store must be identified in the minds of its customers by the manner in which it answers shoppers'. . .and its own community's needs!

The supermarket will have to once again present the adventurous atmosphere of a bazaar (it's a shame that we can no longer detect the delectable, romantic aromas of good food). . .
Our advertising can be "cornball" if necessary to reflect the desired store personality. the everyday problems of out-of-stock, pilferage, cartnapping, overcrowded checkouts, surly floor personnel and many, many more MUST BE SOLVED!

And, MOST IMPORTANT, and surely, two of the most difficult tasks confronting all marketers are the problems of Communications and New Products.

Fortunately, the climate for better communications is becoming less clouded because the interdependent segments of our trade are becoming more concerned with the common problems which endanger profit margins and needed return on investments. And I might add with pleasure, that a greater number of manufacturers and suppliers are making more regular use of good food trade newspapers, such as ours, as a means of strengthening their line of communications with wholesalers and retailers in major marketing areas of our country.

In many instances, we receive reports from manufacturers which indicate that as much as eighty percent of their sales volume is earned from products introduced in the past ten year period. In short, the NEW PRODUCTS category has supplied the blood transfusion essential to an expanding economy and a higher standard of life. The NEW PRODUCTS category has changed the face and the inner workings of basic industries across the breadth of our land.

Come what may, New Products will fill the pipe lines for tomorrow's increased volumes and better profits. They have been the lifeblood of American business--most specifically, the food business. New Products are the red and white corpuscles...and the plasma, too!

Our marketing engineers must face up to the challenge and blueprint buying, inventory, delivery schedules and store layouts that will permit us the continued good business health enjoyed from New Products.

The grocery buyer's authority should not be reduced in this important area. If he is a good buyer, he should be free to act on a good New Product buy...and the added profits it offers.

I have this evening dwelled on but a few of today's challenging conditions. And I do believe they indicate that we, as a community of business, shall have to face the economic and political implications of these obvious facts:

We are no longer a small industry...but the largest!
We are no longer a simple trade...we are an increasing, complex activity!
We are no longer grocery clerks...we are buying, merchandising, advertising, public relations specialists--with a touch of the showman!

The praise, the recognition and the wonder of the world at the phenomenal growth and marketing accomplishments of our food industry have been well deserved. The manner in which it meets the essential, beneficial needs of tomorrow will greatly determine our strength in facing the World Challenge of our Times.
As good Americans, we must fight against change with every psychological and physical weapon at our command—if such change shall have a cheapening effect not only upon our industry but even upon the true quality of our great constitution.

Thank you.
I would like to cover two additional subjects this afternoon as they apply to management and management effectiveness. We'd like to talk about the use of observation and communication and the improvement of skills in these areas and how they affect management technique. I think all of us here have a very live and real understanding of the value of creating a proper store image. We heard a bit about that this morning.--the importance of the creation of a proper store atmosphere. We frequently hear things like: a desirable store atmosphere is a key shopping influence, create a proper store image, the importance of courtesy, good housekeeping, etc. In addition to this, there were remarks also by Mr. Schapker and by Mr. Courtenay which were right to this point. Another gentlemen had a few things to say on this subject. Let's hear what he said: (The following thoughts by Walter Cronkite were a taped recording.)

"This is Walter Cronkite and I'd like to answer the question of how important friendly, helpful service is to the success of a supermarket. The answer is a report from a retail food industry itself. In a "favorite grocery" contest, Mrs. Consumer was asked to tell why she preferred her favorite store. Attitude of store personnel was No. 1 on the list. This key factor was sighted by over 29 percent of the shoppers. Other comments like friendly, courteous, helpful, honest, cheerful, and accommodating appeared frequently. Quality, price, and physical store-arrangement placed 2nd, 3rd, and 4th behind the attitude of store personnel. And here is an answer from a well-known home economist. 'Don't count on mass appeal. The entire success of your store depends on pleasing each individual customer. Two out of three supermarket shoppers buy in more than one supermarket. What brings them back? The store must be unique and have a personality of its own. This personality can be achieved through warmth, courtesy, personalized attention, good housekeeping and quality merchandise.' And from the West Coast this answer to the question of how important friendly, helpful service is. 'There never was a time in retailing when good will and confidence counted for as much as they do now. It is up to the people of the store to find a point of contact and the spirit of the store so far as the customer is concerned; to realize that it is just as important to hold customers as it is to sell goods. You may have top quality merchandise, you may spend a lot of money in advertising, but unless the men and women who represent your establishment on the firing line understand and appreciate their responsibilities, your more alert competitor may make a hit. Business today goes where it is wanted, and stays where it is well treated. The retailer today must be constantly on his toes. He must see to it that the customers are treated as though they were the very foundation, superstructure, and backbone of the system--which indeed they are.'
Add to the answer this penetrating analysis from a 35-year veteran of the food business. 'In my opinion, it is in that most important echelon which meets the public that a lot of work must be done. What good is financial wizardry, warehouse wonder efficiencies, merchandising displays for excellence, supervision, operations, and all the other very important functions of management if a produce man isn't different, a butcher isn't interested or your cashier lacks in courtesy. I am not saying anything that is new or startling because every good operator knows this. But I will say that you cannot spend too much time, thought or money to impress and convince everyone who comes in contact with the customer that his salary and his future depend upon the attitude of the customer toward his store.'

Well, there it is, a cross-section of opinion on the importance of friendly, helpful, personalized service. But in visiting supermarkets and talking to people who work in them, you sometimes hear this question from the energetic young people in the stores-'All this talk about friendly, helpful service makes sense to the boss, but what's in it for me?' That's a good question! What, indeed, is in it for you? For every person who contributes to the joint effort of running a successful supermarket, it would appear that there is a good deal in it for you. Fundamentally, your success is based on the continuing success of the supermarket. Your future depends upon the future of the organization. When you deliver consistently friendly service, you help insure the company's success which is the basis of your success. You get the fun of being a part of a winning team. Now all your efforts in improving your ability to deliver friendly, helpful service enables you to increase your personal skills. You grow in your job. You have the pride of knowing you are achieving the results. Beyond that, the better job you do, the more personal satisfaction you gain. You have the inner satisfaction of helping customers enjoy their shopping. You get the kick that comes from doing more than a little, you feel good because you have done a good job. Up and down the line, everyone agrees you get more pleasure when you do a good job. As one young man put it, 'Helping customers gives me a kick. I feel good. It makes the job seem easier to know the customers appreciate my help.'

So it seems that delivering friendly, helpful service is important on all counts. It's absolutely indispensable to the success of today's supermarket and it's good for you.

It isn't always easy to smile, to be cheerful, to be helpful, to be friendly, to go out of your way to render real service, but it always pays.'

Well ladies and gentlemen, those statements echo the belief, beliefs if you will, of millions of Americans--your customers. The question becomes, how can we create that store image, that store atmosphere that we want and at the same time, maintain all of the advantages of a self-service operation? Let's begin by focusing our attention on two of the many management functions which will help us
do this. Stated very simply, we believe a store manager's job consists of two major responsibilities—satisfying customers and managing his staff. It seems clear that we are in the people business as much as we're in the food business, and it's up to the manager to motivate actions that create and maintain the store atmosphere that he wants and the image of the store as he sees it. This requires, if you will, an awareness of what is going on in the store. The ability to be a keen observer. I'd like to ask a question: how good an observer do you think you are? Let's play just a little game here for a minute and see. Will everyone please place his wrist watch behind his back. Everyone ready? O.K. How many numerals, either Roman or Arabic are there on the face of your wrist watch? Think for a minute, then take a look and see if you're right. How many were right? Well, we see one or two hands; anyway, this demonstrates a well-known fact—that we frequently look but fail to see. The ability, however, to be a keen observer is one key to management success. We need to be a keen observer in many areas—observing customers, their actions, to learn what pleases or what displeases them, to observe employees, to learn where their job skills can be improved, to learn about their morale, their team spirit and to give recognition for good or for poor performance. We need to observe the store to spot trouble areas, to reveal ways to improve shelf displays, merchandising arrangements, etc. A very large part of a manager's success is based upon his ability to be a keen observer. What does it take to develop the ability to be a keen observer?

(Film)

Five guide posts will help in becoming a more skilled observer. They're very important. Let's take a look at them one at a time.

Observation guideposts:

1. HAVE A PURPOSE -- Develop a mental check list for every department, for every person. Know what to look out for, and know what to look for and above all, do something about it. Good observation depends on the ability to be alert -- avoid pre-occupation, shut out distractions and focus complete attention on the job at hand. It also depends on the ability to react to what you see -- and in so doing, it is important to react with your feelings as well as with your mind. This enables you to see things from the other fellow's point of view, particularly the point of view of your customers and of your own personnel. Unless you remember what you see -- much of your power of observation is wasted. How to remember? One way is by concentrating on what you see. Make mental or written notes of things to do. Let your mind's eye exaggerate on the main point of theme for deeper impression. The fifth observation guidepost suggests that you keep a questioning attitude -- make it a practice to take a new look at people, places and things around you every day. And as you begin developing a questioning attitude, you begin looking for better, faster, easier ways to get things done. You will see more opportunities to make good customer relations which are to be found in situations when greeting customers, when customers need help, when customers ask questions or when they check out or perhaps when they have a complaint. These are the opportunities to create a friendly store atmosphere.
Here best of all perhaps, is an opportunity to turn that complaint into something which will help build the business in your store.

A customer is very much like a blown up balloon when she has a complaint. She is really under a full head of steam. So what do you do? Well the simple thing is to let a little of that pressure out. And as you let more and more of that pressure out through conversation, by letting her know that you feel that there may be some basis to her complaint, pretty soon she has no steam at all. And if you handle complaints in this way, I think you will find many opportunities to make good customers out of those who may have something to complain about. Nine times out of ten you are going to give in to the customer anyway, so you might as well do it gracefully and do some good-will building customer-wise.

One thing that we should do with a customer in a situation like this is to give them every possible assurance that some action will be taken so that the thing complained about will not happen again. Then make a special effort the next time the customer might come in the store to make a favorable impression on her. Back up your interest in the customer by your actions. Now this requires the ability to use good communications which is the second important management skill we would like to cover this afternoon.

Getting things done through people boils down to the ability to transmit ideas to others and in the ability to understand what others say to you. While communicating may be a universal problem; we hear that it is, the solution probably can be simplified if we just take the time to look at the basics which are involved. The first step is to recognize the value of good communications in daily activities. Perhaps the next would be to examine some of the barriers that prevent good communications. Probably one of the most difficult communication areas is that people just plain overlook the importance of communicating effectively. Another barrier is when insufficient attention is paid to the How in communicating. Actually, for the most part, impressions are created by how the words are said, because tone of voice and emphasis often carry more weight than the words that are used. A third barrier to effective communication occurs through failure to get a receipt. Because a person is silent or he nods his head, we have no assurance that he understands. Sometimes barriers are erected when lines are blocked, deliberately or otherwise. For example, people may fail to communicate with the boss because the boss doesn't encourage communication. He doesn't do anything to help keep those lines open. Another barrier could be in the size of the group. As organizations get bigger the problems in the communicating area increase.

These problems are real; the barriers are real and they're tough. They can be overcome, however, if we pay just a bit of attention to them. What does it take to overcome communicating barriers? Well, communications that get messages across to others depend on knowing, first of all, WHAT THE MESSAGE IS, why it should
be communicated, how it should be communicated, and when. The what, why, how, and when. This is the starting point for effective communications. Perhaps the chief point is to have a full understanding of what the message is. This requires taking the time to listen or to read carefully. To think the idea through carefully, and perhaps to concentrate on the subject until it is understood. Then SEE IT AS OTHERS SEE IT--examine what you want to say from the other person's point of view. Ask yourself a few questions: what does he need to know? how much does he need to know? what should be said to insure the understanding of the words, more particularly the meaning, the feeling that is expressed? Then THINK IT THROUGH. Think the communication through so that it will be clear, logical and complete so that it will cover all of the necessary facts and it will not include confusing details which may be relatively unimportant. Developing the habit of using these steps will sharpen your knowledge of what you want to say.

Next you are ready to tackle WHY IT SHOULD BE COMMUNICATED. Knowing why something should be communicated is as important as knowing what to say. Obviously, some action or other is needed. Perhaps it is necessary to pass along more information to get a change in attitude or to correct an error, or to improve an operation. Form the habit of checking your COMMUNICATION OBJECTIVE. Is it too broad, or to specific? Would saying more or perhaps less accomplish the objective you have in mind? Think THE PROBABLE RESULTS of the communication through to determine whether or not it will accomplish the objective you've set.

After deciding on the approach to take, then you are ready to make a decision on how it should be expressed. How should it be done? Should it be face-to-face; will that do the job or should it be put in writing? Is it better to do it singly with an individual or perhaps in a group or some combination of personal contact; group meeting? Or perhaps would a written communication be a better way? How to express what you say also includes choosing the best words, using an appropriate tone and putting the emphasis where it belongs to insure the understanding you want.

Let's move on to the next step in our pattern for communicating effectively which is knowing WHEN IT SHOULD BE COMMUNICATED. Mostly this is just a plain matter of common sense. If new plans are in the offering, they should be announced early because the grapevine as I'm sure all of you have found out, moves considerably faster than we think. Be generous with compliments. If they're due, they should be made on the spot or as soon as possible. Should criticism or correcting be necessary, it should be made promptly but privately for full effect and to avoid any embarrassment which could be involved. Then, too, it is important to keep lines of communication open. This means making yourself available to your people. We think by all odds that speaking face to face is the most effective of communicating. In this way, impact can be added to the words with the tone of voice,
the emphasis can be placed by special expression. Moreover we are in a position, when face-to-face, to see the reaction of the other person and to be guided by their reaction.

Here are three steps which will assist in getting better understanding when communicating with others. First of all we **SECURE ATTENTION** and break the barriers by putting the others at ease. Psychologists tell us there is a natural barrier between any two people and yesterday afternoon we heard how that barrier increases when one of those two people is the other's boss. This emphasizes the importance of placing the other person at ease by your expression and manner. Then to get to the point quickly, because if we don't the other person probably won't be listening at all, his mind will be a thousand miles away, perhaps to guess why he was even called into your office. Then put him in the picture. You do this when you talk at his level. Make him feel important and show that you have a personal interest in him. You put him in the picture when you emphasize the importance of his job to the customers, to your operations, but more particularly to him. We can get attention by adapting our manner to the message, by looking right at the man. Get attention by **giving** attention. When complimenting, be serious and match the expression to the words used. Remember, people interpret your real intention from how you say things and how you look when you say them. Manner very often is much more important than the words used.

Now we're ready for our next step--**INSURE UNDERSTANDING.** Knowing what to say is the starting point and it's important to have our facts right and arranged in logical order. Above all, talk at the other person's level. Words, we are told, can confuse. So be careful to select words which will be understood. Enunciate clearly.

Another step in communicating effectively is--**GET A RECEIPT.** When you get an actual physical response, you know that your message was received as it was meant to be. The observation of reactions during a conversation, will show whether you are getting through or not. Watch for puzzled expressions or frowns. When you see them, you should stop, repeat what you said, ask questions or in some way clear up this difficulty. Watch for alert eyes and expressions of interest. These are signs that the message is being received. Then encourage your listener to ask questions. Let your people know that questions are natural; they're a normal part of communicating and they're expected when there is lack of understanding. Questions are a receipt. They show the other person is thinking, even if they question facts. It shows that they are alert, so questions should be encouraged.

Another way to get a receipt is to listen carefully and here we have an entirely new and different type of technique. It's very important that we become skilled listeners, and we'll have some suggestions for doing that in a couple of minutes. If no questions are asked, we
should always make it a habit to get a receipt by asking questions. Particularly when the message was met with silence, because silence more often than not, means lack of understanding. One of the best ways to get a receipt is to get a play-back. This can be done by asking how the idea will be used or to describe how the specific assignment will be undertaken.

Up to now we have talked mostly about face-to-face communicating, but writing is an important part of communications. The objectives are the same, the techniques are almost the same, but there are a few differences. The most obvious difference, we believe, is that when writing, the voice and the facial expression are not there to insure the meaning of what was said. Another difference is that the written communication has permanence. It becomes a matter of record. It can be circulated. Therefore, written communications call for even more deliberation, planning, and care.

We have been talking about communication when you or I do most of the talking or the writing. But, as I mentioned a minute ago, communication is a two-way street. It's important that we understand others as well as having them understand us. This means we have to LISTEN CAREFULLY TO UNDERSTAND OTHERS, and I know I'm pretty weak in this area and I imagine that many of us here are also.

Experts in this field tell us that people listen at only about 50 percent of their effectiveness. Their ears are "turned on" at the time but they are only "tuned in" half the time. With listening so important, I wonder why we don't hear better? Why is it that our ears are "tuned in" only half the time? Well the answer, obviously, is that we fall victims to this barrier business in communicating. For example, it's possible to listen without even hearing. This has happened to me and I assume it has happened to you and it happens when a person fails to use his listening skill. It happens when we get so busy thinking about what we're going to say next, we don't hear what the other person says at all.

A second barrier, pre-judgment and prejudice, goes to work when predetermined opinion creates an expectation of what's to be said. For example, if we happen to have a poor opinion of an employee, rightly or wrongly, we probably turn our ears out whenever this man talks. This is completely wrong.

Another barrier is distraction or pressure and we all know the meaning of this. We all know what it is to work under the pressure of getting a lot done or in distracting situations. Conditions like these can make it difficult to concentrate on listening. And let's face it, on occasion, a barrier is just plain lack of interest. Sometimes we have to listen when we have other things to do or when we are tired after a tough day. Boredom, fatigue, or disinterest can lower our listening effectiveness.
If we are aware, however, of these listening barriers and their effect, we're ready to start learning to LISTEN BETTER. The first thing that we should do is to get ready to listen. No athlete would ever think about getting into a competition without a warm-up, and yet many people fail to be ready when somebody starts to talk. It's a good idea to concentrate your interest on whatever the speaker is saying. Give the speaker the courtesy of full attention. Perhaps, even more important, it's nice to listen with your ears "tuned in" without letting your mind wander and not filling your mind with thoughts of what you're going to say next, particularly around home. Listen for the main ideas, for the facts to support those ideas, and for the feeling or attitude of the person who is talking. Another technique which is helpful and often neglected is to use your eyes. Keeping good eye contact with the speaker helps the listener to concentrate on the speaker's words. His facial expressions will often amplify those words and will give you clues to the importance of what he says. Then add the technique of using your mind. Think right along with the speaker. Pick up the central idea the gist of what is being said, and concentrate on the supporting facts, statements or questions, keeping them clearly in mind.

Another technique is to listen alertly and this means physical alertness as well as mental. It's surprising how much better listeners people are when they sit erect or stand erect. Moreover, sitting or standing erect creates an awareness of listening. It's a good atmosphere. It's also helpful to respond as you listen. This means to smile, frown, look quizzical, react to what is being said in some way. And then, finally, use a pencil; keep a scratch pad handy and develop your own shorthand for quick notes of key words or phrases.

Well, ladies and gentlemen, we have emphasized the importance of two management functions this afternoon—observation and communication. We hope we have pin-pointed some ways to develop greater skill in these areas. There remains but one more step—to form the habit of using some of these skills or techniques. Someone defined habit. I don't know who it was, but somebody did, as, "doing something regularly until it becomes more of a habit to do it than not to do it." We hope that through the habitual use of some of these techniques that we have covered today, that you will understand your customers and your personnel better because you will know what they're doing, more importantly, what they're saying, and still more importantly, what they are thinking. You will be in a better position to correct irritations before they grow into real problems. We think you will get some good ideas and we believe that you will boost the morale of your team to a new high. This, of course, spells success because you will be creating that proper store atmosphere which is so important in getting and holding customers.

These ideas we believe will work for you, if you will use them. We urge you to test them, tailor them if you will to adapt them, but use them. We hope that you won't forget our little friend, Pro, at the start of our session, he's the little fellow you saw this morning on the screen who said it was up to you which way to go to decide whether to follow Pro or Con. While the problems may seem tough, the challenges and opportunities have never been greater. If we approach these in a positive way, I'm sure we will make the most of them. Frankly, I think you will
agree that it all depends on what you believe about yourself. If you think you are beaten, you are. If you think you dare not, you don't. If you'd like to win but think you can't, it's almost a cinch that you won't. If you think you will lose, you have lost. For, out in the world, we find success begins with a fellow's will. It depends on the state of mind. If you think your out-classed, you are. You've got to think high to rise. You've got to believe in yourself if you expect to win a prize. Life's battles don't always go to the stronger or faster man, but sooner or later, the man who wins is the man who thinks he can and TRIES. Thank you.
BUYING HABITS AND ATTITUDES OF SUPER MARKET SHOPPERS - HOW MAY THE FOOD TRADE UTILIZE THIS INFORMATION

Ben L. Schapker, Merchandising Director, Burgoyne Index, Inc., Cincinnati

As an interested observer on the sidelines, looking at the super market scene, it would appear to me that competition is getting rougher and tougher. The battle for the customer's dollar is intensifying with no sign of abatement.

Consequently, the super market operator and supplier should be eager to learn as much as possible about the super market shopper--what she likes--dislikes--her attitude toward different super market practices. For the past nine years we have attempted to be of service to the super market industry by providing such facts through the process of interviewing super market shoppers in their own homes in various cities throughout the United States. During this period more than 17,000 super market shoppers have been interviewed.

One of the first things we discovered is that "store loyalty" in the sense that a shopper shops exclusively in one store simply does not exist. Furthermore, during the past several years this situation seems to have progressed further to the point that only 1 out of 4 super market shoppers buys all of her food needs in one super market.

This is somewhat surprising when one considers the fact that trading stamps were supposed to strengthen store loyalty. Possibly the lure of attractive weekend specials that are being advertised today by practically all super markets are too much for many customers to resist. Then again, there is the element of convenience. Every year more super markets are opened, which means that more super markets are conveniently located to more shoppers, which makes cross-store shopping easier.

The significance of this, it seems to me, is that store operators need to revise their concept of customers. The vast majority of those who shop your store are not your customers--they are everybody's customers. They get into your store, and your competitor's store--so that it is all important when the super market shopper does enter your store that you put your best face forward.

It is paradoxical that the super market which has grown in size from 7,500 square feet to 20,000 square feet; which handles 5,000 to 8,000 items; which handles health and beauty aids; household items, hardware, clothing, variety store merchandise, --the much publicized one store shopping unit is apparently not fulfilling that particular function. The super market shopper may like to do all of her shopping in one store but the actual situation appears to be exactly the opposite.

However, most super market shoppers do have a favorite super market--one where they buy most of their food. What factors does the shopper consider important in selecting this favorite super market? What particular features register in her mind as most important? To answer this question, we handed the shopper a card on which were listed ten factors, and asked her to tell us what she considered most important in the selection of a favorite super market? We alternated these cards in order to eliminate the bias of position. Here is how she voted on the factors important to her.
The number 1 factor--Quality and Freshness of Meats--is consistent. This point has also been revealed by other surveys. Too often there is a tendency for the super market operator to delude himself into thinking that his meat department is doing a good job, whereas a little research on his customers would spotlight the fact that a large percentage buy their meats elsewhere. There are a large number of independent meat markets in our larger cities doing a satisfactory and profitable volume of business in direct competition with super markets. For the most part their customers consist of super market shoppers who want personal attention and service while buying their meats, or super market shoppers who do not like self-service meats because of prejudice or unsatisfactory experience, or super market shoppers who do not feel super market meats are fresh, or that the quality of super market meats is up to their standards.

Next in importance is Quality and Freshness of Fruits and Vegetables--highlighting the tremendous importance of the Perishable Departments. This might be another way of saying that anybody can cut the price of a can of peaches, but it takes smart merchandising and know-how to satisfy the super market shopper on perishables.

Convenient Location is next, emphasizing the fact that food purchasing for many people is largely a convenience function.

Next in order is Lower Prices. To many people this may come as somewhat of a shock in view of the importance that is being attached to price these days. It may come as a surprise that while a certain percentage of super market shoppers are influenced by price, there are a number of other factors that she considers more important. I don't mean to convey the impression that low price is not important--the super market cannot afford to be out of line on price, but at the same time he can't afford to undersell competition to the extent that he attracts customers solely on the basis of price. When prices are low, so is the gross profit, and it becomes difficult to reduce operating expenses to the point where a net profit is obtainable. Furthermore, customers attracted by price are here today and gone tomorrow, when someone else comes along with a lower price. You have probably seen price reduction campaigns start out with a surge of additional volume--then fizzle out when the operator realizes he cannot operate profitably at the lower mark-up, and in the process of pushing prices upward he quickly loses the customers who were attracted by lower prices.

Attractiveness and Cleanliness of Store--Variety and Selection of Grocery Merchandise are next in order, and complete the six most important factors. It is significant to note that 4 out of 6, or two-thirds of these important factors, are largely within the control of store management.

The remaining four factors--Friendliness of Store People, Fast Check Out Service, Better Parking, and Trading Stamps make up in total less than 20% of the answers. You may be wondering why Trading Stamps show up last in view of the fact that later on we shall see that more than 9 out of 10 super market shoppers save Trading Stamps. There is no discrepancy here--this simply means that the super market shopper regards Trading Stamps as a supplement, not a substitute for the other basic fundamentals of sound super market operation. Moreover, since most super markets give Trading Stamps today, they are all pretty much on the same level in this respect.
Nor does Fast Check Out Service loom up as important in selection of a store, for the reason that nobody has licked the check out problem. As we shall see later, the supermarket shopper complains about slow check out service, but at the same time doesn't think of it as important in the selection of a particular supermarket.

More than 9 out of 10 supermarket shoppers mention these 6 factors as their No. 1 choice. I suggest that these are the basic fundamentals on which to build a solid business.

Now let's look at the complaints—what the supermarket shoppers don't like about supermarkets. First of all, it is apparent that supermarket shoppers are painfully aware of Slow Check Out Service, waiting in line to be checked out, not enough lanes in operation, too many delays because of handling of stamps, coupons—all pointing in the same direction, because these complaints cut across all stores.

The complaints on meat, particularly packaging, emphasize the fact that many supermarket shoppers are not thoroughly satisfied with this phase of supermarket operation. It points up the necessity of constantly striving for improvement in attempting to package according to customer needs, to render special service when desired, and to make every effort to package products honestly, so that the shopper is not disappointed when she unwraps the package of meat in her own home.

It seems to me that these complaints in a negative way emphasize the statements previously made concerning important factors, because they highlight the fact that there is room for improvement in basic store operations such as stocking, carry-out service, personnel courtesy, and so forth.

There is some indication that there has been a slight trend in the direction of more frequent shopping. It is possible that this may be caused by splitting purchases to obtain as many bonus stamps as possible on weekends, or it may be due to more early week advertising, or possibly the shift to Wednesday advertising in a number of markets.

On the question of Sunday opening, it looks as if almost 2 out of 3 disapprove of supermarkets staying open on Sunday. If you say that this does not tie in with the fact that supermarkets who stay open on Sunday do a land office business, then I say that the remaining one-third who either approve or are indifferent represent a sizeable percentage of the total market.

Almost everybody will agree that the store which has a personal link with its customers has an advantage over its competition.

It is also agreed that supermarkets have been weak in this respect—when you consider the fact that as a percentage of all shoppers less than 2 out of 5 supermarket shoppers know the name of the manager of any of the supermarkets which they patronize. Now, if you would break this down to the individual supermarket, the ratio would be considerably less. The reason for this condition may be that the manager does not project his personality to the customers, or simply that managers are changed too often. It may suggest that a well conceived and well executed program along this line may be appreciatively received by many shoppers.
With reference to food store advertising, it can safely be said that more supermarket shoppers are reading more food store advertising than ever before—an average of almost three ads per ad reading shopper.

Three out of 5 say they compare prices, naming an average of almost 3 stores. This practice reinforces the statement made previously regarding more cross-store shopping because the supermarket shopper is offered more attractive specials than ever before.

It is interesting to note that 1 out of 2 shoppers expresses disappointment at being unable to obtain such advertised specials at the time of sale. Naturally the meat department comes in for the most criticism, although a fairly high percentage mentioned groceries, including frozen foods.

When the shopper was asked her opinion of what the store should do under these circumstances, the majority voted for a substitute product of equal value at the time of sale, rather than a rain-check or apology. First of all, this emphasizes the fact that out of a special, means a disappointed customer; consequently while it may be impractical to substitute perishable products, it may be possible to reduce this disappointment to a minimum by better recognition in many cases by the stores of the pulling power of specials with more aggressive and intelligent ordering.

Almost 2 out of 3 supermarket shoppers clip newspaper coupons offering either special discounts or extra trading stamps.

Apparently, there is still a sizeable percentage of supermarket shoppers who don’t like self-service packaged fresh meat. This group of supermarket shoppers is related to those who do not buy fresh meats in supermarkets referred to previously. Do not make the mistake of thinking that this group consists of older housewives who cannot change the habits of a lifetime, and insist on seeing their meat cut at the time of purchase. This is not true. These shoppers, our analysis shows, are spread among all age groups—young, middle, as well as old. It is my feeling that this attitude does not arise from prejudice against self-service meats, as much as from an unsatisfactory experience with packaged meat—disappointment at the time of unwrapping the package in the home. This is highlighted by the meat complaints which refer particularly to packaging.

More than 9 out of 10 supermarket shoppers save trading stamps. Seven out of 10 save more than one kind of trading stamp. Each stamp saving respondent saves an average of two trading stamps.

Almost 3 out of 5 supermarket shoppers think prices are higher in supermarkets that give trading stamps. This percentage has been increasing due to the publicity appearing in newspapers, magazines, and periodicals to the effect that the consumer does not get stamps for nothing, that the additional cost of stamps must be reflected in higher prices in view of the fact that most supermarkets now give stamps and therefore the competitive advantage which may have resulted in higher sales, off-setting the cost of stamps, is gone. Moreover, in some markets trading stamp competition is promoting the fact that they do not feature an expensive stamp plan, and others have discontinued stamps on the basis that they are passing the savings on to their customers.
There appears to be a reduction of interest, especially in certain markets, in saving trading stamps by the super market shopper. It is possible that trading stamps may have reached the stage where they are accepted as a merchandising fact of life by the housewife, who accepts them as a matter of course in the belief that somehow she pays for them and may just as well accept and save them. But, she is not as intensely interested in saving them as when they were in the first phase of novelty and newness.

Since discount stores are very much in the news these days, and are of great interest to super market operators, we included several discount store questions in our survey.

There was considerable variation in the answers in different cities because there was considerable difference in these cities in the discount store situation. However, almost two-thirds of all super market shoppers on the average have shopped at a discount store, but the frequency of shopping is low—probably one reason why the discount store is so anxious to have a food department to build regular traffic to the store.

It is apparent from the answers to our final question that the discount store has a big job to do in upgrading the image of his store in the mind of the shopper. It is the prevailing belief among many shoppers that discount stores carry shoddy merchandise.

In closing, I think, however, that you will agree that the greater the knowledge of the super market shopper by the super market industry, the easier will be the application of sound principles of merchandising and operating policies that will develop maximum customer satisfaction, which in turn inevitably leads to maximum sales and profits.
MARKETING MARKSMANSHIP
Henry Courtenay, Ag. Econ. Dep't., Purdue University, Lafayette

Currently and in the recent past, the marketing factors that have been given emphasis by Food Store Operators have been: (1) improved business management; (2) improved work methods; (3) improved store layout; (4) traffic pattern manipulation; and modification of in-store merchandising techniques based on observation of customer shopping behavior.

Recently store management thinking is becoming increasingly oriented toward another important crux of retail marketing phenomena--the consumer and her motives.

Today's almost cut-throat competition between supermarkets has generated special interest among food store operators concerning such matters as "Why do people buy?" "What are people buying when they purchase foods?" "What can the marketer do to create consumer demand?" "How may the food industry utilize a knowledge of consumer motivation to influence sales?" "What is involved in projecting a favorable store image or product image?" "Motivation and store loyalty", and so on. I will explore this area of study with you--consumer motivation in one easy lesson. We'll take a look at a few of the factors involved, some of the principles that apply, and a word or two on the "nuts and bolts" of how we go about the thing.

We'll start with the general statement that people have hidden urges, desires, or motives. There are four important basic ones:

(1) A desire for a feeling of security with respect to physical, financial, social and psychological well-being.
(2) A desire for recognition ( emulation, devotion, superiority, ornamentation).
(3) A desire for new experiences (excitement and thrills), and
(4) A desire for response (reinforcement, reward, achievement).

Build an image around your store and your products that satisfies these needs (or motives) and people will more readily patronize your store and buy your products.

There are various factors involved in merchandising which build either a bridge or a hidden barrier between your merchandising and the consumer.

Let's discuss some of them within the framework of an analogy we'll call marketing marksmanship.

Consider yourself (the management) an archery marksman and the consumer market in your area the target.

Suppose that in this game of archery you have a fine bow to shoot with and your aim seems excellent. You select an arrow from your quiver, aim, shoot--it thuds against the bull's-eye, but drops to the ground. You select another arrow, you try again. Thus, it hits the bull's-eye and again falls to the ground.
By this time it seems obvious that you need to examine the target. You thought it was straw, but it was hardwood. You probably need different types of arrows to penetrate this target.

The first step then in attempting to motivate consumers is to examine the target — your consumer market. Let's first consider some of the tangible characteristics of the target and we'll return to the motives later.

Income Distributions:

The affluence or lack of affluence among customers in your area has implications for quality of merchandise, demands for service, credit policies, convenience foods, cook-out items, brands of products, assortment of merchandise, weekend specials, types of ads and promotions, appeal of trading stamps, coupons and premiums, etc.

For example:

Effective Buying Income Variations Between Two Cities of Comparable Size in Ohio, 1961

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<tr>
<th></th>
<th>Marietta Population 16,717</th>
<th>Berea Population 17,610</th>
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<tr>
<td>$</td>
<td></td>
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<tr>
<td>0 - 3,999</td>
<td>49%</td>
<td>16%</td>
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<tr>
<td>4,000 - 6,999</td>
<td>31%</td>
<td>36%</td>
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<tr>
<td>7,000 - and over</td>
<td>20%</td>
<td>48%</td>
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Meat Preferences by Income Group for Best Typical Family Meal [1] (Houston, Texas, 1960)

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<tr>
<th></th>
<th>Beef</th>
<th>Chicken</th>
<th>Other</th>
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<tr>
<td>Under $4,000</td>
<td>53%</td>
<td>39%</td>
<td>8%</td>
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<tr>
<td>4,000 - 6,999</td>
<td>63%</td>
<td>33%</td>
<td>4%</td>
</tr>
<tr>
<td>7,000 - and over</td>
<td>85%</td>
<td>14%</td>
<td>1%</td>
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The income characteristics of your target have many implications for your merchandising techniques and your product type.

Education Characteristics:

Better educated, better informed consumers are more conscious of quality, more rational in buying, compare more food ads, shop more stores, participate more in consumer advancement programs, therefore, scrutinize information on labels, etc., more carefully.


Also, the number of children in school in your market area is another facet of the target that has implications for your merchandising.

<table>
<thead>
<tr>
<th>Years of Schooling Completed By Persons Over 25 Years--Ohio</th>
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<tr>
<td>1940</td>
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<tr>
<td>1.- 8 years</td>
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<tr>
<td>High School</td>
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<tr>
<td>1.- 4 years</td>
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<tr>
<td>College</td>
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<td>1 - 4 years</td>
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<th>Educational Groups--Ohio People in School</th>
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<tr>
<td>1940</td>
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<tr>
<td>Elementary</td>
</tr>
<tr>
<td>High</td>
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<tr>
<td>College</td>
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Age Distributions:

These vary by areas and have an influence on your business. Catering to the predominant age group indicates the assortment of merchandise: e.g., old people seek different services, more diabetic and special foods. The younger set eats more chicken, weiners, hamburgers, candy, pop, and they have usually a considerable spending allowance for magazines, records, cosmetics and so on. Young mothers are more loyal to a single store—they don't shop around much if they have a favorable image of the store convenient to their homes.

<table>
<thead>
<tr>
<th>Age Distributions--Ohio</th>
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<tbody>
<tr>
<td>Age Group</td>
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<tr>
<td>Under 20</td>
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<tr>
<td>20 - 64</td>
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<tr>
<td>65 and over</td>
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Working Homemakers:

The number of working mothers in the U.S. has increased very significantly in the past decade. Take a look at this aspect of your target area.

<table>
<thead>
<tr>
<th>Working Mothers With Children Under 18 years (USA, 1940-1961)</th>
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<tbody>
<tr>
<td>1940</td>
</tr>
<tr>
<td>1.5 million</td>
</tr>
</tbody>
</table>

(1/3 of all such mothers)
Ages of Working Mothers with Children Under 18 years (USA, 1961)

<table>
<thead>
<tr>
<th>Age Group</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Under 25 years</td>
<td>10%</td>
</tr>
<tr>
<td>25 - 34 years</td>
<td>30%</td>
</tr>
<tr>
<td>35 - 44 years</td>
<td>40%</td>
</tr>
<tr>
<td>45 years and over</td>
<td>20%</td>
</tr>
</tbody>
</table>

Nearly all of these women are in jobs where they meet the public. Seventy percent of them are in the age group where they are conscious of their need for beauty renovations. Hence, demands for cosmetics and other personal grooming items. Also, a need for convenience foods and evening and Sunday shopping hours. You might think about working wives specials or a week honoring working mothers, etc.

Newly Weds:

Have special needs with respect to selection of products, recognition of meat cuts, cooking and recipe information. Consider your target from this aspect, too. You can raise a crop of loyal customers this way.

Religion:

Religion is another aspect of your market target, effecting your assortments of meat and meat substitutes.

How many Protestants, Catholics and Jews in U.S. (1957)

<table>
<thead>
<tr>
<th>Religion</th>
<th>Number</th>
</tr>
</thead>
<tbody>
<tr>
<td>Protestant</td>
<td>78,952,000</td>
</tr>
<tr>
<td>Catholic</td>
<td>30,699,000</td>
</tr>
<tr>
<td>Jewish</td>
<td>3,868,000</td>
</tr>
</tbody>
</table>

Pets:

On the average, people spend more money on pet food than they do on baby food, or desserts, or ready mixes. The poodles are part of the target.

The Arrows to Penetrate the Target:

We've taken a brief look at some of the more tangible characteristics of the target you might find in your market area--at least some of the easy to get data. Now let's look at the kinds of arrows needed to penetrate the target not only from these tangible viewpoints but also in terms of people's basic motives.

1. **Store Image.** The image of your store is not what you think it is, but what other people think it is. I wish to mention here that the two important groups of people you deal with insofar as your store image in concerned are your employees and the consumers in your market area. We'll proceed with the image that a store projects to consumers first.
To project a favorable image, your store must meet the basic needs or basic motives of people which we mentioned earlier.

Let's think about your store image meeting the consumer's desire for security.

Do you guarantee your merchandise? Can consumers trust the accuracy of your check-out? Are there items bearing one price on the shelf while an identical item on a gondola is marked differently? What about weights and measures? Is the piece of pre-cut chicken on the bottom of the tray pack okay? Does your ground meat have a thin layer of fresh stuff over the two-day old grind? Is every department clean? (Studies we conducted show that one untidy or dirty looking department can reflect an "unsanitary-health hazard" image of the whole store.) Do carelessly groomed clerks project the image of a slovenly store? Does the check-out packer or carry-out boy break eggs that drip over the customer or her auto on the way home? Can your customers walk up and down the aisles of your store without doing a two-step in and out between cartons for refilling inventory?

These are a few of the things that project an unfavorable general store image with respect to the consumer's security motives.

What about a store image from the standpoint of the consumer's need for achievement, another basic motive?

Consumers endeavor to satisfy their need for achievement and creativity in several ways. One way is by trying to be a good purchasing agent for her family. She shops more stores than formerly.

This brings up the point of evaluating your competition with respect to a store image satisfying consumers' motives. Your store should facilitate consumers satisfying their need for achievement and creativity to a greater degree than your competition if you want growth. Some of the factors to consider are: the consumer needs guidance in making choices that make her feel she has achieved something. The kinds of items need to be available that, in a subtle way, help her to rise to a higher status.

Another example of activities that help meet the consumer's need for achievement is saving Trading Stamps--this is in large measure the reason for their popularity. The latest figure estimates that 374 billion were distributed in 1962--that is about 2,000 stamps per man, woman and child per year. About 50 million families in the U.S. save trading stamps. Contrary to reports from Food Store Organizations, the popularity of savings stamps appears to be increasing. One of the large Food Chains includes questions on this matter in their consumer surveys conducted each year on a continuing basis and they report that the drawing power of Trading Stamps has not abated but has actually increased significantly in their operations across the U.S.

Coupons, contests, and the like are similar approaches to satisfy the achievement motive.

"Knowing" is also a form of achievement. Consumers like to know some details about things. Hence, one brand of coffee is advertised as containing 43 coffee beans in every cup. Your store should disseminate consumer information
and consumer education to help satisfy the achievement motive. Shopping for bargains is a very popular form of satisfying the need for achievement. However, the price image will be discussed later.

Another consumer motive is a need for Recognition. In a modern super the extent of consumer recognition is often just a short money request from the check-out girl. "Six dollars and 87 cents, please"--or without the "please". Most stores conduct special sales honoring or recognizing "The Manager," "The Silver Anniversary of the Store", "Dairy Month", and so on. They recognize everybody and everything but the consumer.

The recognition motive may be met by personal recognition of the consumer by the store personnel in dealing congenially and sympathetically with consumers' questions and complaints. Perhaps a special sale week for working wives, or your loyal customers would help. A rose for every lady during some special week might be in order to let the lady know you think she is "somebody" not just a statistic. At the very least, we can be bursting with liberality in "thank you's" and smiles. Projecting a favorable store image requires recognition of the customer to meet the recognition motive. The independent store owner/operator often does a better job on this than the salaried chain-store manager.

The forth basic motive we mentioned is "People's desire for new and pleasant experiences." Your store and products should project attractiveness, throbbing excitement and a modern progressive atmosphere. Stores, like cities, have personalities or images projected by their appearance and character. The city of Caracas is breathtaking, Hong Kong is exhilarating! Does your store have no face or the wrong face? A gay festive atmosphere with new items, new ideas, forward looking things helps satisfy consumers' needs for new experiences.

Women like to experiment with new things--new foods, new recipes, imported items, gourmet items, and new non-food gadgets. Special exhibits and demonstrations are also in harmony with this consumer motive.

Consumers often say: "What a lovely store." What they mean is: "What a lovable store." People love and hate stores as they do human beings. Your store can project an image that creates the attitude that shopping is fun--pleasant--exciting. The store image is an incentive, a deterrent, or a faceless nothing where people just come in out of the rain.

(2) Products. This includes the assortment of products. It involves the idea of whether your customers and potential customers want scope of assortment without too much depth; or depth of assortment capable of giving your customer a particular "perfect fit" in a line of merchandise such as meats, produce or grocery items. In many areas, customers think of one store as their meat store, another as their produce store and so on.

Another point under this product arrow is quality. So far as many consumers are concerned, quality is not based on grades and standards prescribed by a technical definition or the measurements of experts in the particular industry. It depends more on people's tastes, preferences and values. For instance, research shows that in some areas or to some ethnic groups such as the Negro population, a
yellow skinned chicken is one that has flavor, juiciness and other desirable quality attributes. In other areas and among other ethnic groups, a yellow skin on a broiler means its older and too fat and tough. Several consumer surveys on meat show that a majority of consumers prefer "good" grade beef over choice or prime because they judge meat on the basis of ratio of lean to fat.

The point I wish to make is that quality as a motivating factor must be defined in terms of the target.

Another point about products is that some key items or groups of key items are criteria which consumers use in choosing a store. The idea is to examine your target and determine which items are key ones to motivate consumers in your area. For instance, an area with a high proportion of working homemakers may have as their key items convenience foods, lunch meats, delicatessen foods. Working wives are also usually more indulgent toward their children (perhaps it acts as a "balm" for guilt feelings about being out of the house) they may buy more fancy cereals, fruits, and candies, etc., primarily in deference to junior. These working wives also tend to reward themselves for their hard work by splurging on impulse and luxury items for themselves (the response or achievement motive).

Changing from the subject of products for people to products for pets. This is an important aspect of product images. The pet is part of the modern family. His cardiovascular well-being is even being considered with the innovation of Polyunsaturated pet foods. One Arizona super has introduced a special fresh meat feature for pets--home-made pet food (ground lungs, spleens, etc.) on cello-wrapped trays. It has been reported that this is now a popular fast-selling item.

The importance of pets is exemplified by research on ads for dog food. Motivational studies show that because most people's pets are mongrels and they therefore rationalize that mongrels are smart and so on, they unconsciously reject ad copy that stresses fancy breeds.

The point I wish to make is simply that your products and your assortment of products should be tailored to penetrate the target in your specific area of operation.

(3) Price. What price image does your store project? The study of the image of a super in Dallas, Texas, showed that people in the store's market area considered this super best described as "high priced". A check of competing stores in the area indicated that prices at the super in question appeared well in line with its competitors for most meats, produce, staples and most canned goods. However, when respondents were subjected to a word association test, it was evident that a high percentage of the housewives associated good quality food with specific nationally advertised products. Comparison shopping at several stores revealed that these particular products were priced higher at the super being studied than at other stores. Hence, the high-priced image. It was keyed to specific national brand product prices. This is probably due to the fact that a national brand price at one store may be compared with the same brand at a competing store. This isn't fully feasible with private label brands which differ from store to store. The same phenomenon carried through to grocery specials. A few pennies off brand label products accepted by customers as "top quality" items, especially national brands, was more effective than substantial reductions on lesser accepted brands for week-end specials.
A national brand of canned peaches was one of the "price" image projectors. Other price image projectors, varying of course with area, are: ground beef, front quarter cuts of beef, bacon, chicken, coffee, baby foods, onions, potatoes, citrus, and paper products.

The price image phenomenon appears to be tied in with security and achievement motives--finding the bargains--being sure one is getting value for their money.

(4) Packaging. An important factor in meat packaging is the lack of information and instructions on meat packages. To many customers, the meat department is a dead, dull ribbon of cello packages or gray trays containing either red, pink or chicken colored stuff and each bears a small washed-out, poorly printed label stating weight, price, and sometimes cut and grade. In most instances, the consumer has little or no idea how it should be stored, handled, or how long it should be cooked to get the most pleasing meal out of it. Often she doesn't know how many people the thing will feed. It taxes her imagination beyond its capacity as to what it should be served with or what it will look like when it's cooked. The same goes for chicken--what can one do with it besides frying it? As a matter of fact, about 2 out of 3 consumers don't particularly like self-service meat counters. They prefer butcher service which is too costly. However, information on meat packages can help perform some of the butcher service functions.

A package can be an excellent source of consumer motivation as well as consumer education. The volume of sausage products sold in recent years is partly attributed to better packaging. We sell the sizzle, not the sausage. We sell the tasty attractive nutritious meal that a cut of meat becomes, not a piece of dead animal.

The package can project an image either for better or worse. Package your products so that they project a favorable image permitting the housewife to see ways in which she can satisfy her needs for security, achievement, creativity, new and pleasant experiences and other basic motives. This is particularly needed in the meat department; it is probably farthest behind in motivational packaging even though it is the most important department in your store both in terms of the consumer spending and in terms of meats being the items around which most homemakers build their meals, therefore, around which they build their other food purchases.

(5) Point of Sale Materials. Point of sale materials is closely related to that of packaging. Most of you know that nearly two out of three of the consumer's final purchasing decisions are made right in the store at the point of sale. How often does one see full color pictures of meals featuring various meats and cuts at the meat display for instance? More often we see a large mural of live animals more suitable as a teaching aid in a zoology lecture-room than an aid to motivation of consumers to buy more meat for their meals. Or maybe it's a chart of a carcass or the picture of a live turkey, or live steer or even a live hog. People don't eat live pig sandwiches and if you associate live animals and live birds with the fancy meal they want to envision, it is likely to build a wall between the meat products and the consumer. It acts as a deterrent rather than a motivating incentive. It's not in harmony with her security, achievement and creativity motives.
Point of sale is an excellent place to inform consumers about products. Simple printed information about quality, storage, handling and cooking helps the shopper satisfy her needs for recognition, achievement, and so on. To tell her about products is a form of recognition of her well-being and for her to "know" about foods is an achievement for her.

Point of sale materials can be an excellent and relatively inexpensive method of motivating your customers.

(6) Personnel. Remember we talked about the image your store projected to two principal groups--your customers and your personnel. It is extremely important that your personnel have a good image of your operation, otherwise it is nigh impossible for them to be a motivating force in your merchandising endeavors.

I overheard a checker talk to another store clerk the other day in terms of: "Where could she get a better job to get out of this dump. . . I just took it because I could get nothing else." In addition, clerks too often know little or nothing about the merchandise and some don't seem to care. How can they help consumers satisfy achievement motives or have security experiences when they themselves have apathy, discontent and disinterest written all over them.

The image your personnel hold of your store is an important factor in projecting a favorable store image to customers that motivates them to patronize your store.

We live in the age of the consumer. The age of motivational research. Large manufacturers realize this so acutely that they have literally observed the consumer from the top of her pretty head right down to her toes.

In Summary

You can examine your target through use of various data such as the Survey of Buying Power, Census Data, and information from your local University or Business College.

Remember the 4 basic motives. Determine how your competition is equipped.

Many independent operators are now conducting small consumer surveys or they are group interviewing customers. There are men at your State University whom I am sure would be glad to advise you and help you on this.

After examining your target, tailor the arrows to penetrate the target and motivate your customers.

Your wife will be glad you did!
ETHICS IN BUSINESS
Robert Bartels, Professor of Business Organization, OSU

A business historian writing at the end of this century may record that during the early 1960's there was a surge of interest in the subject of ethics in business, and that it produced a considerable amount of literature in books and in periodicals, as well as, sermons, discussions, and seminars. He may note that such a display of interest occurred also during the 1920's. He may even recall that many business practices now discussed were considered unethical as early as the turn of the century. The historian will probably say, however, that there was not much interest in business ethics prior to 1900. Our present concern for ethics in business is a circumstance related to our times. To recognize this helps to interpret the meaning of this development in the span of business and social history.

No one thing could with certainty be said to have caused this current interest in business ethics. Some people attribute it to a falling level of general social morality. Some attribute it rather to an awakening of moral consciousness in business and in society, an awakening to higher expectations and demands made upon the business community. Others account for it in the growing complexity of business in a world whose proportions and relationships are changing more rapidly than at any time in history.

Whatever the cause, our business community has come face to face with the question of ethics in recent years. Indictments and penalties issued for fixing prices and rigging bids by electrical equipment makers shook not only the companies involved but business in general. In this episode, the unethical practices were seen to be a threat to our whole free enterprise system. Similarly, income tax evasion, graft and favoritism, petty theft and grand larceny among chairmen of boards as well as among clerks and porters, bribery of union leaders, the compromising of public servants, fraud and excessive profit making in defense contracts, theft of business secrets--these are some of the business situations in which the issue of ethics is involved.

Many types of comments could be made about the problem of ethics in business, but I shall discuss only two phases of the subject: where in business the question of ethics arises, and the means of determining what action is ethical.

A dictionary defines ethics as follows: "The science of moral values or duties; the study of ideal human character, action, and ends."

From this definition and from general experience, it is evident that the issue of ethics arises in human relationships. The actions of a single individual does not involve ethics. They may raise questions of morality but not of ethics. The problem of ethics arises in personal relationships. Ethics relates to what one's behavior should be in relation to another. Ethics is a standard of behavior. It is a concept of moral obligation. It is a principle for personal interaction.
Obligations in Social Relationships. The idea of ethics as moral duty or obligation suggests the question: Duty to whom? We have all heard of the businessman who, when he discovered that a customer had mistakenly given him too much money, wondered whether to be ethical he was obligated to tell--not the customer--but his partner about it. Had he a duty to one, or to the other, or to both? Business does not consist of only one or two such relationships, but of many. Ethics is the obligation which one has to recognize and to fulfill his responsibility in all business relationships.

Some of these relationships are the internal relationships within the business organization, among managers, employees, owners, and other investors. These are four interest positions, sometimes called roles. Among them are numerous sets of relations: managers to employees, managers to owners, employees to owners, owners to other investors, etc.

Each of these role positions has its own particular interests. It may be said, to put it another way, that an individual acting in any particular role position--such as employee, owner, or manager--has certain expectations. Each of us acts in many roles, for in one instance we may be a manager but in another an employee. In each position we have different expectations as to what our rewards should be and how we should be treated. Some of our expectations may be very individual and personal; others, because generally sanctioned, may be common to all occupying a similar position. In either case, the expectation constitutes a claim upon individuals in other positions, and expectations which are conceded to be valid constitute an obligation for them. Thus there is constituted an obligation to act. Actions directed toward fulfilling these obligations are termed ethical or "right" actions; those which violate expectations and obligations are unethical.

From this explanation three things about ethics are apparent: (1) that ethics always involves action in human relationships; (2) that ethics relates to the fulfillment of expectations; and (3) that expectations may be subject to different interpretations of what is right or wrong in an interaction.

Not all of the relationships involving ethical action, however, are among parties in the internal business organization. In a broad sense, business, socially conceived, consists also of the following roles: customers, suppliers from whom purchases are made, intermediate customers or distributors to whom sales are made, competitors, the government, and the community.

In the relationships between management and individuals in external as well as in internal roles, accepted patterns of expectations prescribe many aspects of business behavior. Managers have certain expectations of their competitors, of their suppliers, or of their customers. The community has expectations of managers. Consumers have expectations of the government. All of these expectations constitute claims and obligations upon others engaged in the business process. Action in fulfillment of these obligations is regarded as ethical action.

Let us consider some aspects of what is ethical and what is unethical among competitors. This is a subject about which volumes have been written, laws passed, and judicial and administrative decisions issued. What does business management
expect of its competitors? Usually, one expects as much as he is willing to concede. That leaves a wide margin for difference of opinion. In a general way, however, most managers expect competition to be characterized by fairness, honesty, justice, efficiency, and the like. Even agreement on this principle does not simplify the definition of expectations in specific situations, for a wide range of attitudes from "Live and let live" to "Dog eat dog" may express the different opinions as to what is "just" or "fair" competition.

Another set of external relationships involving ethics is that between managers and customers. Recall the buyer-seller relations which existed prior to the 20th century. If consumers had any expectations of the rugged, individualistic, autonomous business system which prevailed then, those expectations were little heeded by business managers. "Let the buyer beware!" was the philosophy of manager-customer relations. There was little hope of fulfilling expectations other than self-interest in that state of affairs. That is why numerous forms of unethical practices were common: deceptive advertising and selling, harmful products, shoddy merchandise, misleading packaging, etc.

Such practices still persist, but management today is more conscious of its obligations to customers than it was before. In fact, it is not uncommon even in business circles to hear it said that service—not profit—is the primary purpose of business; service to customers. In the past decade, an extensive philosophy of business management known as "The Marketing Concept" has evolved, centering not only selling but all management activity around the ascertainment and satisfaction of the wants and needs of consumers. This philosophy is increasingly being applied, although there are still many instances in which it is not. Those are the relationships involving unfulfilled expectations, for customers have come to expect certain standards of treatment from business.

Still another area in which business ethics is being weighed today is that of management-community relationships. What does a business organization owe the community in which it operates and by which it has, perhaps, been incorporated, licensed, or sanctioned? What, to turn the proposition around, does the community expect from business. There are evidences that the community, in a broad sense, expects the preservation of scarce natural resources, protection of water supply, participation in social and civic welfare programs, stabilization of employment and industry in the community, etc. To cooperate in fulfillment of these expectations is to be adjudged ethical or socially responsible; not to do so increasingly exposes business to the criticism of being unethical.

Let it not be concluded from what has been said, however, that the demand for ethical behavior has reduced business to a philanthropic or non-profit enterprise. Far from it! So long as we have a capitalistic economy, management, employees, customers, government, and the community all have an ethical obligation to fulfill the expectations of owners, namely, to earn a profit. Confiscation of this increment due to owners, without proper respect for both short- and long-run interests, by government, labor unions, or anyone else, is as unethical as deception of customers or degradation of employees.
Bases of Ethical Action. Merely to know that the problem of ethics is one of rightness in human interaction neither assures ethical behavior nor completes the analysis of the business problem. The second and perhaps most important requirement is to know what is the right action when relationships involving conflicting expectations or points of view are involved. There is much confusion about this. Some people think value judgments are not the concern of business managers and that they are, at best, subjective. Some fail in the application of general principles to specific situations. Others contend that maximization of personal interest maximized social good. Still others despair of resolving irreconcilable differences of supposedly antagonistic role positions. Not to go deeply enough into the matter, or to overemphasize differences, is to miss the harmony which must be thought out in a mutually satisfying social venture, which business surely is.

There are four bases upon which ethics or the rightness of action can be judged. While all are currently employed, throughout the history of this country one or another basis tends to be associated with each of certain periods.

The first basis is that of self-interest—judging that to be right which pleases oneself. When placed on a basis of sheer personal considerations, this may appear to be favoritism, bias, or prejudice. In manager-employee relations it is the philosophy of paternalism, nepotism, or, in the opposite extreme, personal animosity. Behavior motivated by such personal interests is found expressed by both individuals within firms and by firms as a whole toward others.

In manager-customer relations this is known as the philosophy of "Caveat Emptor"—let the buyer beware. In manager-competitor relations it is the philosophy called rugged competition, the survival of the fittest or economic Darwinism, or the Protestant Ethic—the idea that the hardest hitting competitor succeeds most. In its opposite extreme, it takes the form of collusion among competitors for the satisfaction of their individual ends.

When rightness in action is based upon self-interest, as when might is said to be right, this is the Ethics of Company or the Ethics of Collusion. It is not always malicious, for it is sometimes rooted in the cost-profit records and control systems; whatever promotes and preserves the profits of the organization is "right." This might even be known as Ethics by Accountancy.

The Ethics of Company and the Ethics of Collusion are deficient, because they do not recognize and fulfill the numerous expectations and obligations of the business enterprise. Consequently, society's demand for justice takes form in laws spelling out the obligation of management to people in other business roles: competitors, employees, customers, etc. Thus emerges a legal basis for rightness in action which might be termed the Ethics of Compulsion.

Examples of the legal basis for action are found in the Sherman Act and its amendments, in the Food, Drug, and Cosmetic Act, in labeling acts, in acts prohibiting selling below cost, in the fixing of loan rate charges, etc. While interpretations of law still leave some margin for difference of action, the ethics compelled by law is fairly well understood.
Beyond this, still more is demanded and expected of business than the law requires. Businessmen themselves during the 1920's recognized the need for self-regulation as well as legal regulation, and companies and associations worked up hundreds of Codes of Ethics, to which they voluntarily gave compliance. Thus in what may be termed the Ethics of Compliance, values of the social group were considered in establishing bases of interaction. Unlike the exclusive self-interest of the collusive group, the Ethics of Compliance was a consideration of interests and expectations external to the management group. Late in the 19th century, judges began supplementing mere legal interpretations with social values and considerations. In the 1920's and 1930's, vendors began to consider more seriously the interests and demands of consumers. The expectations of employees and other social groups were also acknowledged in the codes for compliance which business managers formulated. Supplementing the legal ethics, social ethics may be said to add to the letter of the law the spirit of the law.

While the social ethic is certainly a step higher than mere legal requirements in determination of what is right in business action, it still lacks a quality sought in both personal and business life, namely, some sense of absolute value transcending the changing laws and appraisals of the specific society or social system in which one may be. In other words, business needs a standard of rightness or ethics which is right, not because the State, or some business organization, or some group say it is right, but which is right simply because it is Right. Even to ask for such a standard is to probe the spiritual foundations of our society. Businessmen and others have said that religion has no place in business, but this view is increasingly rejected by business and social leaders alike.

If one has spiritual values in his life, and if he is an integrated, consistent individual, he will incorporate into his daily business experience the values which he professes on Sunday and in personal affairs. There is a spiritual reason for action in the many interrelationships among business roles. It is the concept of man as he has been portrayed by religious leaders, by the founders of our country, and by any spiritually inspired individual. Man is thus held to be the child of God, endowed with inalienable rights by his Creator, individually important, equal, deserving self-fulfillment or the maximization of his talents and capacities, meritig dignity, respect, and justice. This is a theistic basis of ethics; the businessman who conforms behavior to this standard is employing the Ethics of Conviction. It is absolute, not relative; it is based upon Principle, not person; it is theistic not social, universal not local.

It is a long way from the Ethics of Company and Collusion to the Ethics of Conviction, but we have made significant strides in this direction in the United States during the past one-hundred years. Because of cultural lag, businessmen are still operating on all levels of ethical determination, and every businessman at some time must act on all of them. Numerous obligations must be fulfilled in business, and several bases must be examined for deciding what is ethical, but the important question is: How deep are the foundations upon which business policy and action are based?
The practice of going no deeper than self-interest or self-determined business policy is not acceptable today. Society today is saying that business is not simply a business creation, not only an economic function, but that it is a social institution. It is society meeting its own needs and doing this in a variety of roles. Ethics in business is the doing of what is right in these many relationships.

Ethical action is not a concession which business management may or may not make, as it sees fit; it is, whether heard or not, a thundering spiritual demand of our times.
Mr. Vanderford condensed the highlights from The Manpower Development Program, which normally consists of six four-hour workshop sessions, into a conference-type presentation. The Manpower Development Program was designed to: (1) Assist operators and other management personnel to accelerate their own development; and (2) Provide a training program base on proven fundamentals which can be adapted and tailored to individual requirements.

The areas presented at the morning session included: (1) "How to Supervise More Effectively"; (2) "How to Train People for Quick Effective Production"; and (3) "Managing Yourself--Developing Your Leadership Ability."

The following is reproduced from the outline made available to the conference participants.

How to Supervise More Effectively

1. Supervision is important because--

   A. Much of the work for which you are responsible is done by others.
   B. People work better when they know they are supervised effectively.
   C. Effective supervision saves you time.

2. Effective supervision makes sure every person--

   A. Knows what to do.
   B. Knows how to do it.
   C. Is confident that he can do it.
   D. Wants to do it right.

3. Effective supervision techniques are--

   A. Know your people.
   B. Know how to correct people.
   C. Evaluation and recognition.
   D. Problem solving.
   E. Building team spirit.

4. Seven ways to improve employee relations are--

   A. Take a personal interest.
   B. Point out accomplishments.
   C. Tell employees how they are doing.
   D. Remind them of opportunities.
   E. Train them for advancement.
   F. Give them ideas.
   G. Give them encouragement.
5. The sandwich technique is--
   A. First a layer of compliment.
   B. Then correct.
   C. Then a layer of compliment.

6. You evaluate so--
   A. You know.
   B. They know.
   C. They know that you know.

7. Evaluation is checking results.
   A. Against job standards.
   B. Against what others are doing.
   C. Against what the person is capable of doing.

8. An effective tool in getting your people to do their best is to--
   A. Recognize above-standard performance and compliment.
   B. Recognize below-standard performance and correct.

9. How to solve a problem--
   A. Approach it positively.
   B. Define it accurately.
   C. Get all the facts.
   D. Weigh and decide.
   E. Take action.
   F. Check the results.

10. Team spirit is--
    A. Pride in your organization.
    B. The feeling of belonging.
    C. The state of mind that makes you want to do your best.

How to Train People for Quick, Effective Production

1. We learn when--
   A. We want to learn.
   B. We are ready to learn.
   C. We understand what is being taught.

2. We learn--
   A. By doing.
   B. One thing at a time.
C. By making mistakes.
D. By reviewing.
E. Better in a series of short steps.

3. A five-step technique for teaching anyone a new skill is--

A. Tell him.
B. Show him.
C. Have him do it.
D. Discuss and review.
E. Test him in practice.

4. When breaking in a new employee--

A. Make him feel at home.
B. Emphasize the importance of his work.
C. Describe his job responsibilities.
D. Follow the five-step training technique.

5. Training needs are determined by the--

A. Experience of employees.
B. Needs of the store.
C. Manpower requirements.

6. Group training can be done by--

A. Department.
B. Job activity.

7. Individual training can be done--

A. Through individual training sessions.
B. Through effective supervision.
C. Through observation by the employee.
D. Through outside reading and study by the employee.

8. When rating an employee these factors should be considered--

A. Interest shown.
B. Capacity for work.
C. Cooperativeness.
D. Personal effectiveness.
E. Rate of development.

9. Employees are provided with opportunities to build good customer relations when--

A. Greeting customers.
B. Customers need help.
C. Customers ask questions.
D. Customers check out.
E. Customers have a complaint.
Managing Yourself--Developing Your Leadership Ability

1. Qualities necessary for management success include--
   A. Knowledge of the job.
   B. Creative ability.
   C. Judgment.
   D. Positive attitude.
   E. Leadership ability.
   F. Courage.
   G. Character.

2. You can make the time you need by--
   A. Respecting the value of time.
   B. Knowing what you want from your time.
   C. Planning your time.
   D. Using your time wisely.

3. Tips on planning include--
   A. Do it regularly.
   B. Do first things first.
   C. Be flexible.
   D. Welcome even small results.
   E. Write them down.
   F. Check your results.

4. Tips on saving time include--
   A. Do one job at a time.
   B. Do it now.
   C. Plug time leaks.
   D. Delegate some jobs.

5. Leadership is based on--
   A. Faith.
   B. Confidence.
   C. Inspiration.
"If you think you are beaten, you are.
    If you think you dare not, you don't.
If you'd like to win, but think you can't,
    It's almost a cinch you won't.

If you think you'll lose, you've lost.
    For out in the world we find
Success begins with a fellow's WILL...
    It depends on the state of mind.

If you think you're outclassed, you are,
    You've got to think high to rise.
You've got to believe in yourself...
    Before you can win a prize,

Life's battles don't always go
    To the stronger or faster man.
But soon or late, the man who wins...
    is the man who THINKS HE CAN...AND TRIES!"
Several years ago, I was asked by the Executive Secretary of a State Retail Grocers' Association to serve on a committee for planning and conducting the educational program for the association's Annual Convention. Another member of that committee was John Murphy, a young produce manager from Sav-A-Lot Markets, a local supermarket chain group with headquarters in Bottsville.

My first impression of John was not too favorable as he moved in and quickly dominated the conversation at our first meeting. His confidence appeared to me to border on the brink of arrogance. I was, however, impressed by his willingness to accept assignments and also by his lack of hesitation in stating that his firm would be responsible for seeing that the necessary equipment was available and that they would provide whatever products were needed and as many people that might be required to get the job done. I was intrigued by this fellow but I had difficulty in trying to convince myself that he would be able to deliver all that he promised.

Having had several discouraging experiences while serving on similar committees, I thought it would be advisable to get to know John a little better before the day of reckoning finally arrived. I, therefore, went out of my way during the coffee break to spend a little time with John and to find out more about this character and his firm.

As I recall my conversation--after a few ice-breaking remarks, I moved quickly to the point of inquiring as to his willingness to commit, not only himself, but also his firm, to doing all the things he had agreed to do. (I was especially interested in this because in the office I was working in, we neither committed ourselves nor the office to anything without first having it cleared through the Director and often times it had to move all the way to the top, especially if it involved the expenditure of as much as ten cents.)

"Well, I'll tell you," said John, "Paul asked me to serve on this committee and he said, 'John, I want you to help them do the job they want done. You know if you need any help the organization is behind you.'"

I just couldn't help but reply, "But does Paul know that you are going to transport several truckloads of equipment from your produce department into the city and that you have committed half the store crew?"

"No!" he said. "He doesn't know it yet, but he will as soon as I go back to the store tonight." There appeared to be no doubt in John's mind that this would all be acceptable to Paul.

Needless to say, by now this man Paul began to intrigue me. Was he a nut... or did he really have those human skills we read about but seldom see in practice? I arranged to visit John's store to see if others shared his faith and trust in this man Paul. I planned my visit for the next week and was quite impressed, not only
with the attractive store, but also with the friendliness of everyone I met. I might
point out that this store was not located in one of the high income areas but in an
area of low to middle income families. John greeted me like an old friend. He
quickly introduced me to not only the workers in his department but also to the
other employees in the store. Among the employees was a young friend of mine
whom I had known for several years. As soon as possible, I got this friend aside
and quickly asked him about the store and its employees.

"Are the employees always as friendly as they appeared today?" I asked,

He assured me that these were the nicest people he had ever had the opportunity
to work with and that Paul was the best boss he had ever known.

I asked, "Why?"

He said, "Well, I'll give you an example. I had only been on the job a few days
when I looked up after I heard several people say 'Good morning, Paul' and saw
him heading toward me. He walked up and introduced himself as Paul Jones and
said, 'You're Robert Dobbie the new man we hired for the produce department.'
He asked me if I had met everyone in the store and I told him that John had made
the introductions the first day and that John and his assistant had been very helpful
in getting me started. Then he told me he was pleased to learn from my application
form that I had training in floriculture because they were planning to carry more
plants and garden supplies in their stores and that, as they expanded this depart­
ment, they would be looking for personnel with interest in this area to supervise
their garden departments."

After hesitating, he said, "Lew, I just had the feeling after he left that he was
interested in me, and that I had a future with this company."

Following my discussion with Bob, I returned to the produce department and
John. I asked John if Paul took a personal interest in all of his employees. He
reassured me that he did and that he expected everyone else in a management or
supervisory position in the company to also have an interest in those working for
and with them.

"Maybe this will help you to better understand my boss," said John. "Last
winter my wife had a rough time and you know what happens to a family with kids
when the wife is hospitalized. In addition to all the other worries, there is always
the doctor bills. Well, as soon as Paul heard of my difficulties, he called me aside
and said, 'John, regardless of how much money you need, the company will see
that you get it and you can be sure we will work out a way so you can pay it back
without too much difficulty. Also, John, if you need some time off, we will work
out some way of covering for you during this time.' Fortunately, my wife's con­
dition was not as bad as first diagnosed and neither the bills nor the difficulties at
home got as critical as I expected. But you know, I sure appreciated Paul's offer
to help."

Soon John and I got to discussing his department and the problem he had in
operating it. He had noticed that during the busy shopping periods many customers
would drive up to the store but seeing the parking lot filled would continue on up
the street to a competitor's store.

"This is not only costing my department sales, but it is not helping the store and we are not giving our customers the service they need," stated John. "I want to discuss with Paul the possibility of changing over to self-service produce. As I see it, self-service would make it easier for customers to shop, thereby making it possible for them to do their shopping in less time and thus helping the parking lot situation."

I told John that a recently completed research study supported his thinking and that not only did customers shop faster but they also bought more, especially during busy periods when produce was packaged. John then asked me if I would be willing to go along with him when he presented the idea to Paul as he knew I had planned and assisted in the installation of several self-service produce operations. I was quick to agree to this request, as by now I was anxious to meet this man Paul.

Several days later, John called to say he had arranged for our meeting with Paul. The next day I met John at his store and went with him to the company headquarters. On our arrival, Paul's secretary greeted John by his first name and immediately called Paul on the intercom to let him know we had arrived. Paul asked the secretary to show us in. John introduced me to Paul. Paul thought for a few seconds and said, "You spoke before our association at Pittsburgh last year on prepackaging produce. I was very much interested in your talk as I believe we are going to have to do more packaging."

Paul then introduced me to his store planner who had been discussing plans for their next store from blueprints laid out on the table. Paul asked John and me to look over the blueprints and to make suggestions relative to the layout, which we did. I pointed out that the sales layout was contrary to some of the principles that had been established as a result of customer traffic studies conducted by USDA research teams. Paul suggested that the planner take notes and asked if he could get copies of research studies that I had mentioned which they did not have in their files. Paul then stated that he was waiting for Tony, the buyer-merchandiser for the chain store group.

"You know, Tony represents the old timers in this organization and I would like to have his thinking when we discuss prepackaging produce," said Paul.

Tony arrived shortly and we were introduced. Paul got us comfortably settled and then called his secretary to tell her we weren't to be disturbed. (This was a switch from so many of the executives with whom I have conferred as oftentimes it seems that they spend half or more of the time answering the phone.)

Paul asked John to lead off and discuss his idea on the subject. John pointed out the problem of the small parking lot and cited the research study which indicated that prepackaging can both speed customers through the store and sell more produce. John also pointed out the other advantages of self-service produce as he saw them—easier to keep displays filled during heavy shopping days, better utilization of labor, more sanitary, and others.
Paul then asked me about my experiences with stores shifting to self-service. I reported that a comparison of records of stores shifting to more packaged items had shown increased sales as a percent of store sales and that labor expenses were reduced because the same labor was able to handle the increased volume and, consequently, profits were improved.

Tony was next asked his opinion. "I don't like it!" was Tony's opening remark. "Customers like to see; yes, feel what they are buying. They also want to buy the amount they want and need, not what you want to sell them. Many of the stores I have visited have onions only in three pound bags. Many of the customers that shop our stores only want a few onions. I feel that we will lose customers and sales if we shift to prepackaging. This might be good for some stores, but not for our customers,"

I was then asked by Paul about this problem of unfavorable customer reaction. To this I pointed out that some customers did act unfavorably. In fact, sales volume for produce dropped in a number of stores during the first few weeks following the shift. These losses, however, were more than made up in stores where management was interested in making this plan work and made adjustments as they became necessary.

Paul then turned to John and said, "Would you like to try this in your store?"

"Yes," said John.

"Good," said Paul. "Tony, I want you to help John with the planning and development of this self-service operation. Do whatever needs to be done in order to give it a fair test. Let me know what equipment and supplies you feel you will need so that we can get them ordered in plenty of time. Needless to say, I'll be watching this closely to see what effect it has on customers, sales, costs and profits. And, Tony, I want you to stay close to John's store during the change-over so that you can become thoroughly acquainted with the operation. If it is successful in John's store, we will certainly want to extend it to other stores."

Turning to me, Paul said, "And, Lew, I'll appreciate any help you can give Tony and John."

Paul then thanked all of us for our coming and suggested to Tony that we get together again after the plans were developed.

On the way out of the building, John said, "That's a real fine boss."

And Tony echoed, "He's the best!"

After I left this meeting and went back to my office, I started to analyze this man Paul--trying to determine what it was that made him "the greatest" in the eyes of his people. I quickly concluded that this man was a living example of the word "empathy"...the ability to put himself in the other fellow's shoes. He, like J. D. Rockefeller, III, recognized that you must feed the spirit, too, not just the body.
A wage that provides for adequate food, shelter, clothes and the other necessities, and even many of the luxuries, is not enough. Paul recognized that the newest to the oldest employee needs to know where he stands in the company...assurance that he is needed and appreciated; that opportunities exist within the company for him; and that his individual needs are known and understood. In addition, they need the feeling of belonging to a group—a team. Paul also knows that his employees, as well as he, needs to feel worthy and respected. Human dignity is important to all of us. And finally, Paul realized that all his employees have many things they want to do and achieve. Some are so remote they are but hazy dreams while others are more real. The opportunity to convert some of these dreams to realities does much to help people like their work—certainly a desirable objective not only for Paul and his company, but for all managers and their companies.
A LOOK AHEAD

Bruce W. Marion, Extension Specialist, Food Merchandising, OSU

We're drawing to a close what I and all of the other folks in our department feel has been a highly successful conference, as indicated by the fine attendance and the favorable comments that we have gotten from many of you. Certainly this encourages us to continue efforts on this type of activity in the future. Now just as the grocer faces problems in the allocation of his grocery shelving, so also does a university face problems in the allocation of their staff personnel. And I'd just like to discuss with you for about 5 to 10 minutes what we're looking to in the future, what some of our ideas are, and to encourage you to take an active hand in working with us in developing our educational program. As our extension program has grown over the last 6 or 8 years, so too have the demands for our time to work with individual firms throughout the state of Ohio. And as the complexity of the food retailing business has increased, not only have we felt a need to work more with Ohio firms, but also a need to go more into depth in certain areas through research. And increasingly in the last few years, we have gotten demands for resident teaching; for courses specifically designed for those who are interested in the food distribution industry. Our researchers are thus getting demands from several different areas. We're getting demands for both breadth and depth in a total educational program here in Ohio.

We are doing our best to find ways of meeting those needs in the industry that are not met by other organizations. We cannot afford, and we're not interested in, pursuing those areas that are adequately served by other organizations—whether it be manufacturers, trade associations, publishers, and/or private firms. We are trying to determine those areas in which the university is uniquely qualified to teach and to do research. Certainly with the three of us in extension, we can't be all things to all people. We must be selective and choose those things where we think we can make the greatest contribution.

This conference attempts to give our educational program breadth. We also are planning some intensive type educational programs, which will go into areas such as long-range planning, financial management, and personnel management, through a series of workshops. Meetings will likely be conducted out in the state with small numbers of trades people. This will be an attempt to go into depth. Consideration is also being given to short-courses here on campus from several days to several weeks in length for store management and middle management personnel. Here again, an attempt to go into depth. We also hope to publish several bulletins in the near future in those areas where we feel there is a real need for simple and straight-forward presentations that are presently not available from other sources. We'll continue to do some individual counseling and assistance such as with the demonstration store technique, but we will also be examining those methods and techniques that make better and more efficient use of our time.

This is a little bit of a resume of what we are thinking about in our adult education or extension program. Our teaching here on campus and our research programs are also building. Presently we have a proposed course in food merchandising that will soon go before the curriculum committee for the university.
We have high hopes that this course will be approved and that it will serve as more or less the core course for a curriculum in food distribution. In such a curriculum, we would rely heavily on the College of Commerce, but we do feel there is a need for some courses specifically tailored to the food distribution industry.

We are approaching this with caution, though, because we are aware of some of the problems that have been experienced by some of the other universities who have curriculums in this area. I can't speak for Southern California because I'm not familiar with their enrollment, but Michigan State and Cornell have both experienced declines in enrollment in their food distribution programs. Of course, the question is why? What is the problem? Is it that these programs are not tailored to meet the needs of the industry? Is the industry failing to communicate what they really want out of these programs? Or is the industry sending the wrong people, or expecting the wrong thing as an end product? If a firm intends to use a man as a grocery manager or store manager for the next 4 or 5 years, it's likely a mistake to send him to an executive development oriented course where he will be trained to make primarily top level decisions. When he gets back, he'll be frustrated and the company will be unhappy. It would likely be a better return on investment for the firm to send such a man to a curriculum that is primarily oriented toward store management. I think this needs some examination by the trade. If these store programs are failing, if they aren't doing the job that they are intended to do, the blame doesn't rest entirely on the schools who are sponsoring them and conducting them. Much of the blame also lies with the firms and the industries that are supporting them.

In the area of research, Dr. Sherman has recently completed a study of the costs and the profits in retail produce departments. He's conducting a study presently on consumer preference of pre-packaged versus bulk produce. He's also conducting a research project on scheduling of check-out personnel. Vern Vandemark has a research project in progress on automatic vending of groceries and I'm working on one in scheduling of labor and production in retail meat departments. We expect, within the next year, to kick off one project in the area of labor-management relations, and a second project in the area of management development, assuming funds come through.

These are some of our plans, some of the things that we're looking forward to in the future. We know we won't accomplish all that is planned. We can't do everything, certainly. We do need your help to make sure we select and work on those things that would be most important to you and to the industry. I know it's easy to sit back and be primarily concerned about ourselves, whether our costs are down, our sales are up, our profits O.K., and, planning for the future is hard work. It takes effort. However, I urge you to not be a complacent American, but to take an active hand in counseling, supporting, and evaluating your university and the programs that we conduct. Evaluation, I emphasize, because we really do want to have your fair appraisal of the educational programs we're conducting, whether it's in extension, research, or in teaching. I firmly believe that there is no other state in the union that has more potential for a sound educational program with food distribution firms and the food distribution industry than Ohio. I think that we've got a good start, but we certainly feel strongly that we need your help and your support to make our educational program the best one in the United States, and this is what we're shooting for.