Have you ever listened to the head of a group that's on a losing side? Or...have you ever listened to a baseball or football coach who had a losing season. Invariably they will come up with all kinds of numbers and statistics to prove that (a) despite the fact they are having a losing season, things are going well in many areas and (b) they have the numbers to prove it.

I feel the same kind of response to Mr. Cain's presentation. Evidently the competitive world of grocery merchandising, selling, and store operations is going to hell in a hand basket. The consumer obviously is the quiet, suffering victim. However, there are a few important facts that seem to belie that case.

One of the things that really concerns me throughout the presentation is that there is an attempt to define some unique group of individuals who exist only as consumers. Not true! Labor is a consumer; management is a consumer; government is a consumer; and all of us are customers at grocery stores to get the food we need to feed ourselves.

Since about 1960, some 20 years ago, the percentage of disposal income spent by the population on food has dropped each year, including the current year of 1979. From a 1960 figure, of approximately 28 percent, it has declined to the present 15.8 percent of disposal income spent on food in this country today.

There is no other country that gives the customer the kind of break on food, costs, food distribution costs, and processing costs that they get in this nation.

And while Mr. Cain can be disturbed by the vision of sheer numbers of large chains creeping and engulfing the country, the fact remains that a good chunk of our business is being done by independents and small growing chains of a regional nature.

If you will examine the figures for 1977, 1978, and 1979, the only people going broke are the really big ones. Food Fair, a chain that did over two billion dollars worth of food business in 1978, declared Chapter 11 in the spring of this year.

A&P, at one time the largest in the nation, has been in such a downfall for the past four years that their current sales volume is less than half of what it was at that time and they have dis-
posed of half of their stores to independents. On the west coast, Mayfair Markets in the earlier 1970's, was one of the largest food chains. It also has gone the bankrupt route and exists today at about 1/5 the size it was at one time.

The biggest gains in the share of market has been with those chains in the 10-24 store bracket.

In the state of Washington, since 1972, independent store groups, in size of 1-10 stores, have taken over an increasing share of market. From a small 12-14 percent in 1970, they represent, today, something like 23 percent of the total business in the state of Washington.

These are facts I know because we service these stores. Believe me, the kinds of operations and the kinds of stores these people are building in response to popular market demand gives the consumers, at least the state of Washington, the greatest choice of product, the greatest choice of service available in the world today.

Now Mr. Cain pleads a great deal of need for sympathy for the consumer who is exploited by the food industry. He asks the question, "who is going to represent the consumer?"

My contention is that the consumer, as a group whoever they are, needs no protection from an industry that provides him with the kinds of choices available to consumers (customers) today.

Not only are food stores adequately represented on a per population basis in this country, but we are continually running into areas like Bellingham, Washington, where the competition is so intense that it (the resulting price war) will eventually wash out in about a year with several of the combatants in that area going broke. And while the consumer (whoever that is again) may come out ahead on some pricing on the short term; long range the problem is that we have gotten so competitive that more than a nominal number of stores can't exist.

We have run across the situation in this country where you can become too large. A&P is probably the best example of that. I also see many of the other chains as they grow in size, in sheer numbers, become almost impossible to manage and I think the competitive market forces take care of that situation.

The reason that small regional and local chains grow is that they are more flexible, more totally responsive to the consumers in the area and, consequently, get enough business that they knock off their larger competitors.

As long as that process continues and the consumer can switch away from a large, inflexible chain that is not responsive to his/her wishes, to a local one that is, then the consumer is best represented as, in the past, by the competitive marketplace letting competitive market forces enter into play.

The food industry also represents one of the few areas in this country where entrepreneurs can enter the marketplace with relatively low financing.

In the state of Washington in 1972 and 1973, I can recite Horatio Alger cases. In all of them they were a combination of two store managers who got together with a small amount of money (approximately $20,000-$25,000 total) entered into the food business and today, just seven years later, are millionaires running operations that will net in excess of a million dollars each year.

Just last year we put into business a young man who had saved some $15,000 and bought a store. His store is doing so well that he is in the process of buying a second store and he will be...
growing, I suppose, into that oligopoly
that is ripping off the consumer so she
can't get the services and goods she
wants.

To which I reply, boloney—the only
reason this store is going to continue
to do well and continue to grow is that
it is offering a service and a choice of
product as an option to what the shoppers
in that area are currently experiencing.

Nobody is forcing the shoppers to
stay with that large oligopoly and suffer
the consequences. She can go across the
street to the local independent merchant
or local regional chain and do well.

I don't think it is necessary to
drown you in a series of numbers that
pretend doom pointing out the number of
stores that have closed in the country.
What we have eliminated are those units
that are of such a size and service that
they cannot be efficiently run. They
are a size they cannot give the con-
suming public the wide variety of choices
she demands.

When the consuming public demands
a choice of some 11,000 items in a food
store, you can't do it in a 5,000 square
foot mom and pop down at the corner.

You simply have to have a 25,000-
50,000 square foot unit that can carry
the wide variety of goods that are in
demand today.

Far from being a victim of a mono-
lithic structure that takes advantage
of her, the grocery stores are forced
with having to carry almost uneconomic
varieties of assortment to please her
and get her to come back.

The consumer and the free market
can continue an interface that serves
both interests the best.

**********