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Industry Reactor:
A Small Business Man's Viewpoint

by

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The old saying goes, don't condemn a man until you've walked in his shoes. I have not walked in your shoes, so please take my remarks in that vein. For starters let me say that the biggest gap between your industry and ours is a lack of *communications*, knowledge of each other's business problems and concerns. We just haven't walked in each other's shoes and we should if we hope to have knowledge of each other's problems.

Let me give you one of the best examples I can think of--one that was created by a leading progressive dairy. Two weeks in advance, we received a very well worded letter explaining a new packaging idea for dispenser milk. The letter took great pains to tell us that this change was really for our benefit. We wouldn't have to change dispenser containers as often, the containers would store better in the coolers, and we could be sure all the milk was used. Well, let me tell you about all those neat advantages. The new containers were seven gallons, not the five that were still almost too heavy for half of my employees to lift. The new package was no package at all. The milk no longer came in nice cardboard boxes that were easy to handle. They now came loose in milk crates that had to be changed to a special crate. Pouring seven gallons of milk from a plastic bag from one crate into another is like trying to stuff a full-grown octopus into a two-inch pipe.

Here's a case plain and simple; the marketing engineer wasn't thinking of the user--the dairy changed the packaging for the good of the dairy--the user was never consulted; he was just sent a letter telling him how good the change would be for him. The dairy or the distributor should have sent one of their employees to my place and let her lift one of those seven-gallon crates about shoulder height and lean over my back bar and set the milk in the dispenser. They weren't familiar or knowledgeable. They hadn't walked in our shoes.

Another case of poor packaging happened right here in our backyard. One of the breweries came up with an excellent system of opening cans without having a piece of metal to throw away.

The idea was a gem. It just didn't work. Complaints started coming in from bartenders that they couldn't push the little punch-out plugs into the cans. The brewery was so sure the bartenders were just "bitching" they were slow to react. When they did react, it was with a video they made showing a little 90-pound secretary reaching over, picking up a can and punching out the tab with one finger. It looked so easy, how could anyone dispute the continued use of the container?

Then one day, someone walked in the shoes of the bartender. He couldn't get the damn lid open either. Now, after seeing a good piece of the market slipping away, the brewery went into action. It didn't take them long to discover the can the secretary opened came right off the conveyor belt. It hadn't been packed in a carton, loaded in a truck and hauled over rough roads to a distributor who reloaded it on his truck and hauled it to a user. By that time the natural gas in the beer filled the can with so much pressure the tab was welded shut.

They had to walk in the user's shoes to find their error.

It may not be what you like to do, but it's something you must do.

Now let me take a moment to tell you some of the things I think may totally change the way both of our industries will do business in the near future.

Competition forces us to change--makes us more alert and more conscious of our own business methods. A few years ago we thought the supermarkets were our biggest competition, and they were. We just didn't know to what lengths they would go. We thought they only sold items to take home, prepare and cook. WOW! Were we ever wrong. The New King Super store near my house has a prepared food section that looks like a gourmet buffet in the fanciest hotel in the country. You can pick up a ready to eat gourmet meal for one or one hundred, heat and eat. There is a big sign that says "Chef on Duty." That's tough competition. We look to you to help us beat the competition with new ideas we can implement in our restaurants.

If the supermarket isn't enough competition, we now have convenience stores emerging as devastating competition. In 1984 C stores did over 2 billion dollars worth of fast food business--our business. And I predict they haven't reached their peak by any means. The new C store will be a gas station, a grocery store, a fast food take-out restaurant, a place to do your banking, a place to drop off

your cleaning and laundry, and all of this except the gas will be taken care of through a drive-up window--American people will give up price, they will even give up quality, but they won't give up their convenience. The cars of the future will probably have a hot plate to keep the driver's coffee and roll warm while he drives to work and eats his breakfast.

The foodservice industry has fought a labeling law for years. To date we have had some success in keeping the federal government from passing any kind of bill. We have carried the fight to the state level where we have not been as successful. I believe you should be concerned also. If we should lose this fight, both of our industries would face a monumental task in an effort to comply.

Would we print the ingredients on the menu? Our menus would look like the *New York Times*. What about the fast food restaurant operator who has seven different drinks and three different cup sizes--will this person now be forced to keep twenty-one different cups so that each cup has the right label? As a small operator, how can I be sure I'm putting the right label on an entre. If we change the recipe, do I have to change menus?

These are all questions for which I have no answer, but believe me, if labeling laws are passed, you distributors are going to be the first source of help we will look to, and the best prepared distributor will probably be the one who gets my business. You had better be prepared because if the Center for Science in the Public Interest (CSPI) fails at the federal level, they may turn to the states where they may find the "pickens" easier.

I am not sure just what direct impact a minimum wage bill might have on FDRS, but I will assure you it will have an indirect effect. It has been proven over and over that each time the minimum wage has gone up it has cost thousands of jobs. In my small business, I can tell you the last minimum wage increase cost four jobs. I closed a marginal shift and laid off four people. Those jobs are lost forever. If each small business laid off just one

employee, you can see the snowball effect it would have. This is bound to be felt by everyone even more than you might think. It affects our training programs. Now where do we get employees to bring along through our system? Do we attempt to hire trained students; can we *afford* to hire them? Do we look to you distributors for help--for more prepared items? Do we raise our menu prices--give less service, more self-service--maybe offer a completely new type of product? We look to you for help. You had best be prepared.

There are other issues of grave importance to us but time doesn't allow me to discuss at any length the ramifications these issues would have on our combined industries.

If I talk about these issues, I wouldn't have time to give you my predictions and I wouldn't want to do that. I have no fear of these predictions because they are far enough out that no one will probably remember them anyway--that's the fun of making predictions.

Prediction #1 - We are running out of EARTH! There isn't any more land in the world. Each year we take anywhere from one to three million acres out of food production in the United States alone. Land is going into country homes, industrial development, highways, housing projects, parking lots and shopping centers. The land used in most cases is the nice lush valley bottom land, pushing farm producers to the less productive land. Then add this to the alarming rate at which we are losing top soil--one-third of U.S. farmland is losing topsoil faster than nature can replenish it. It seems to me we are beginning to consume our capital with the interest. The flow of top soil and silt down the Mississippi River alone should make us stop and take note. We may be reduced to hydroponically grown food. I don't know that it would be bad, but I'm sure it would change the way food is produced, marketed and distributed. You should be prepared.

Prediction #2 - There will be a water shortage. Not just a year or two of dry weather; I'm talking about a full-blown shortage. Nature is fickle. One year we have

floods and water pours into the sea from rivers well over their banks taking our top soil right along with it. The right conservation methods could slow the flooding, catch the water and assure us of a lasting supply for drinking and farm irrigation in drought years. We must think in terms of long-range planning right now, today. By the time a project is planned, the site selected, the millions of dollars spent in studies, the court fights to save the butterfly habitat and the actual work being done, we are looking at ten to twenty years. I'm not sure we have that much time. Barring a nuclear bomb, I don't see any decrease in population. A drought means food shortages. Food shortages put all of us to the test. It devastates the farmer, it raises food prices which only worsens the plight of the poor. The distributor loses his supply and the end user has something less than he needs. The whole chain of food production is radically changed. Food shortages of any kind are serious business. As a throw-in prediction, I would say that the next war may well be fought over food.

On a much smaller scale, but maybe more important to you, I will make a third prediction. Your industry, the distribution and marketing of food products will undergo an even bigger change in the next ten years than it has in the last ten years.

Because of mergers in both of our industries, there will be a whole new marketing concept. The big companies in our industry even more than they do now will be buying directly from the producer. Computer buying will be more popular. From producer to end user, companies will continue to grow in spite of a recent trend the opposite way. In other words, the big will get bigger, and the big will continue to control the marketplace. But my small business background tell me that there will always be a place for the single unit operator. The "little guy" still must be supplied. When the large distributor neglects to take care of the "little guy" a window of opportunity opens for a small independent distributor whose personal touch, ability to deliver as needed and product line are more in tune with the needs of "Mr. Little Guy," and a new business is born. I guess that's

what makes this country great. We never stop changing but very often we change *back* to where we started.

Now, in the few moments I have left, let me tell you something of this great food-service industry where I have spent the last 47 years. I have lived through some dramatic changes. Five-cent hamburgers, 25-cent bacon and eggs, employees working for 20 cents per hour and delighted to have the job; a world war when meat and sugar ration stamps were more valuable than money; new products like frozen orange juice; fresh, then frozen, french fries; all types of frozen foods with a new cooking procedure called a micro oven; delivery schedules changing from two per day to one per week. I've seen and worked through a world of changes.

I've seen our industry grow from small town diners to a \$185 billion sales giant, where we hire over 8 million employees in some 561 thousand units. In spite of the huge chains who do 27 percent of our sales volume, seven out of ten restaurants do less than \$500,000 per in sales--which proves to me there is still a place in this business for the small business operator.

You will have to look to these small operators. They are demanding fresher, higher quality products at better prices; they need assistance in their promotions; they need help in establishing tighter controls, purchasing efficiency, and new products. They need salespeople, not order takers. They need help to make the changes that are bound to come. You need to be prepared to make these changes with them, to be the leader in making changes happen, maybe even be the force behind the changes. I'm like most small businesspeople; we almost resent change; we hate to change a comfortable routine.

We need to be like the light bulb. The story goes: How many foodservice distributors does it take to change a light bulb? The answer is one, but the light bulb really has to want to be changed.

