



AgEcon SEARCH
RESEARCH IN AGRICULTURAL & APPLIED ECONOMICS

The World's Largest Open Access Agricultural & Applied Economics Digital Library

This document is discoverable and free to researchers across the globe due to the work of AgEcon Search.

Help ensure our sustainability.

Give to AgEcon Search

AgEcon Search

<http://ageconsearch.umn.edu>

aesearch@umn.edu

*Papers downloaded from **AgEcon Search** may be used for non-commercial purposes and personal study only. No other use, including posting to another Internet site, is permitted without permission from the copyright owner (not AgEcon Search), or as allowed under the provisions of Fair Use, U.S. Copyright Act, Title 17 U.S.C.*

Perspective on the "Supermarket" Revolution

by

Lynn Callison
Executive Director
Rocky Mountain Food Dealers Association
Lakewood, CO

The subject of this panel today is interesting, "Consumers in Search of Value . . . Reflections on the Value Added by the Changes in Food Distribution." It is especially interesting when you look at the whole "supermarket" revolution from my perspective.

As executive director of the Rocky Mountain Food Dealers Association, I have spent the past ten years reading, going to seminars and working in the field with retail grocers. Our membership includes the whole gambit--the independent operator, the chain, the warehouse store, the "Mom & Pop" operation, and the convenience store chain. And let me tell you, it is an exciting industry and those who are involved in the food distribution industry can be proud. The American food distribution industry is a model for the world--a "showcase for democracy."

Today, consumers give supermarkets high marks, including the highest rating for quality service in two 1986 polls by the George Gallup organization. Asked to rate various businesses on a scale of one to ten, 58 percent gave supermarkets a high quality rating, defined as eight or more. This is the surest sign of significant change since the industry's turbulent days in the 1930s, when its standing with consumers was low.

But maybe I'm getting ahead of myself. Let me read to you the preface of a new book published by Food Marketing Institute in cooperation with Beatrice Companies, Inc.,

entitled, *America the Bountiful. How the Supermarket Came to Main Street,* which I believe gives a broad, but most concise overview of the value added by changes in the food distribution industry that I have found. Written in dialogue form by John Mugar, the preface reads:

Never did I dream in 1925 while bagging potatoes from 100-pound burlap sacks in my uncle's Little Star Market in Watertown, Massachusetts, that today's supermarkets would evolve from such beginnings.

At that time, most communities had the following types of food retailing:

- A national chain like A & P, together with a regional chain such as First National Stores. They were small stores, selling canned goods, dairy products, bulk cookies, bread and a few hardy fruits and vegetables in season.

- A meat market that also sold a few canned goods, a small variety of produce and bread.

- A typical corner fruit store with a stem of bananas hanging in the window.

- A spa with its marble-topped soda fountain and glass candy jars.

- A horse-and-wagon peddler hawk-
ing his specialty--either bakery products,
fruits and vegetables, fish or ice. And
the milk wagon was a common sight
everywhere.

Many items came in bulk form;
potatoes in barrels and later in 100-
pound sacks, sugar in 100-pound cloth
sacks, molasses and sauerkraut in bar-
rels, bacon in slabs, and butter in tubs.

During the 1930-1940 era, the aver-
age grocery store, though still small,
doubled in size--carrying an expanded
variety of canned goods, meats, fruits
and vegetables, and bakery products.
Some independents, desiring to offer
more services than the chains, expanded
their credit and delivery business.

In the business world, the grocer
was considered insignificant. In 1935, I
wrote a college paper on the grocery
business. Wanting to get all the infor-
mation possible, I went to the Harvard
Business School library. To my amaze-
ment, the only available published
material was *Chain Store Age* magazine.
The professor of marketing dealt only
with department stores. The grocery
business had not yet attracted the
attention of academia.

In the late 30's, self-service groc-
ery departments were springing up
around the country. Self-service became
the magic idea that caught the imagina-
tion of many grocers. What helped its
initial impetus was the National Associa-
tion of Food Chains and the newly-
formed Super Market Institute. To-
gether, they became the catalyst that
brought us all together to learn more
about the self-service business.

It was here that we met the
Cokes of Penn Fruit, the Cohens of
Giant Food, the Weingartens of Houston,
Wayne Brown of Big Bear Stores, Joe
Bettendorf from St. Louis, Fred Meyer
from Portland, Claude Edwards from
Alpha Beta, Syl Goldman from Oklahoma,

the Steinbergs from Montreal, George
Jenkins of Publix, A. D. Davis of Winn-
Dixie, John Peachey of Loblaw, and
Frank Lunding from Jewel. We all
learned so much from each other. We
were thirsting for knowledge and know-
how to better serve consumers and de-
velop the best stores possible.

The other association that contri-
buted much was the Grocery Manufac-
turers of America. Our industry was
fortunate in having the enlightened
leadership with men like Jack Logan of
the National Association of Food Chains
and Paul Willis of the Grocery Manu-
facturers of America. They were per-
sistent, capable men with vision. It
was at their seminars and conventions
that retailers, wholesalers, suppliers and
manufacturers met and soon realized
that we all had the same customers--
the consumer. The manufacturers and
suppliers listened to our needs. Out of
this process evolved our present stores.

The results have been remarkable.
The American consumer's food cost as a
percentage of wages is the lowest in
the world. More than anything else,
our supermarkets say to the world, "This
is America."

If historians thousands of years
from now wanted to know about our
culture, they would find the answers in
reading about our present supermarkets.

Before looking into the future, I
have one "what-if": What if the politi-
cians of the '30s had been successful in
their anti-chain legislation, which was
supposed to protect the little grocer?
What would our grocery stores be like
today? Certainly not what we enjoy
today--in conveniences, service and the
most bountiful supply of food in the
world!

In the future, my wish is that the
new leaders in our industry derive as
much excitement and satisfaction in
their daily work as we did.

I hope that you agree with me, that this brief overview capsulizes the history of the food distribution industry and helps you envision the dramatic changes between the grocery store of not-too-long-ago and today.

The supermarket today is viewed best as a culmination of many changes in the food distribution industry that now delivers food to the tables of America in routine fashion. Chains provide the efficient distribution network; independents and wholesalers, the merchandising prowess; manufacturers, mass production and packaging. But the elements did not come together easily. They developed piecemeal and, in many cases, were resisted fiercely by those who felt at a competitive disadvantage.

The revolution of the thirties stirred enmity even within the food industry itself, pitting chains against independents, manufacturers against wholesalers, farmers against manufacturers. Charges and counter-charges poured into the news media, the courts, state legislatures, Congress, the Federal Trade Commission, the U.S. Department of Justice and even into the White House.

The roles of the National Association of Food Chains and Grocery Manufacturers of America were pivotal in ending the chain store revolution of the thirties. Since many of the changes sparked contentious public issues, the associations became central participants in the debates over government policies, regulations and laws to resolve the issues. These organizations orchestrated industry positions before government agencies, the news media and many special interests.

They helped resolve issues by bringing together opposing parties and encouraging constructive discussion. In doing so, they inaugurated an era of constructive industry relations among food executives.

This cooperative approach became the foundation for such stunning industry achievements as the Universal Product Code, scanning and the Uniform Communications Standard, which enables computer-to-computer communication between food suppliers and distributors.

The industry also developed a universal computer model for financial analysis--the Unified Direct Product Profit (DPP) method. Other cooperative initiatives improved the industry efficiency with standard pallet sizes, invoices, order forms and trade practices.

The retail food distribution industry is as competitive today as ever. We are still undergoing a revolution to a degree at the retail level today. Or should I say, we are continuing to evolve. Smaller independents are finding that they can meet consumer demands as well as, if not better than, the chains. New formats ranging from the most barren of services and product, a box store, to the newest craze, the niche marketer. The niche marketer specializes in whatever he feels the consumer wants in the area he opens his business.

The warehouse store, the upscale store, the natural store--all are examples of a marketer meeting the needs of a particular segment of the population. These marketers are determining what value is to today's consumer. And the one thing they are finding is that value means different things to different people and there is plenty of room for everybody in providing that value. With the forums that the associations have provided, there exists the continuing opportunity for retailers and other distributors to sit down to learn and share with industry people. This learning and sharing is continuing to refine the retailer's ability to provide real value to the customer.

The most important thing that the associations did was to take a broader view of events and issues, embracing the farmer and the ultimate consumers--the complete chain of distribution from the field to the warehouse to the supermarket to the dinner table.

They worked especially hard to improve relations with the farm community. The National Association of Food Chains won many friends in agriculture by initiating a series of more than 400 programs to alleviate serious product surpluses. Today, some industry leaders believe that similar programs could allevi-

ate current farm surpluses far better than price-support and paid-diversion schemes--and at a fraction of the cost to taxpayers.

The value that the consumer is receiving today is a result of food industry politics--not politics in the narrow sense, but in the broader one: relations among consumers, industry and government.

Today we are facing another big question that must be answered if this trend is to continue. You, who are interested in this industry, who believe that we have provided consumers with value, must make a big decision in the near future. The chief of the Federal Trade Commission has made statements that the Robinson-Patman Act, that act that forbids price fixing, should be abolished, and that all of the nation's anti-trust laws should be scrutinized to determine whether we are stifling the further development of the free enterprise system.

Whether we are or are not remains a big question. Associations will again play an important role in answering the question. What they do will determine the future of this amazing food distribution industry. Involvement in that process is critical because our ability to provide value to the consumer depends on such political realities.

