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The Role of the Food Distribution Industry in Institutional and Service Foods

Emerging Patterns of Food Distribution and the Corporate Imperative

Food 70's

Identifies food retailing as a mature industry and lists profit opportunities in fast foods, convenience stores and vending machine distribution

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- "It is not enough to be busy: so are the ants. The question is: What are we busy about?" Henry D. Thoreau
- "Executives are continuously confronted by the need to answer two questions. Are we doing things right? And, are we doing the right things?" Peter F. Drucker
- "We are continually faced with great opportunities brilliantly disguised as insoluble problems". John W. Gardner

OUTLINE OF TOPICS

- | | |
|---|---|
| <p>I. Management Models for Senior Food Distribution Executives</p> <p>A. The use of the total performance model to program food distribution organizations</p> <ol style="list-style-type: none"> 1. The anatomy of the decision-making process <ol style="list-style-type: none"> a. The nature and content of strategic decisions b. The nature and content of administrative decisions c. The nature and content of operating decisions 2. The pervasiveness of imbalanced decision systems 3. The emergence of strategy as a central corporate concern and the <u>primary</u> responsibility of senior management | <p>4. An operational definition of corporate strategy</p> <p>"A long-run, time-phased plan designed to achieve-- at a high rate of return on investment -- a market position so advantageous that competition can retaliate only over an extended time interval and at a prohibitive cost"</p> <p>5. Diagnostic applications of the total performance model</p> <p>B. The use of the institutional life cycle concept to program food distribution organizations (Table 1)</p> <ol style="list-style-type: none"> 1. Patterns of innovation in retailing: an overview 2. The pervasiveness of institutional life cycles 3. The acceleration of institutional life cycles |
|---|---|

TABLE 1
ILLUSTRATION OF INSTITUTIONAL INNOVATION & DURATION OF LIFE CYCLE

<u>Institutional Innovation</u>	<u>Duration of Life Cycle</u>
Department Store	100 years
Variety Store	50 years
Supermarket	30 years
Discount Department Store	20 years
Fast Food Service Outlet	15 years

- II. Emerging Patterns of Distribution: Managerial Implications for Senior Food Distribution Executives
- A. The mounting intensity of intra-type competition (Table 2)
 - B. The growing importance of inter-type competition (Table 3)
 - C. Continued pressure on profitability ratios, particularly for conventionally configured firms
 - D. The growing need to continuously reevaluate corporate missions and financial strategies

TABLE 2
COMPOUND ANNUAL INCREASE IN SALES OF VARIOUS TYPES OF FOOD STORES

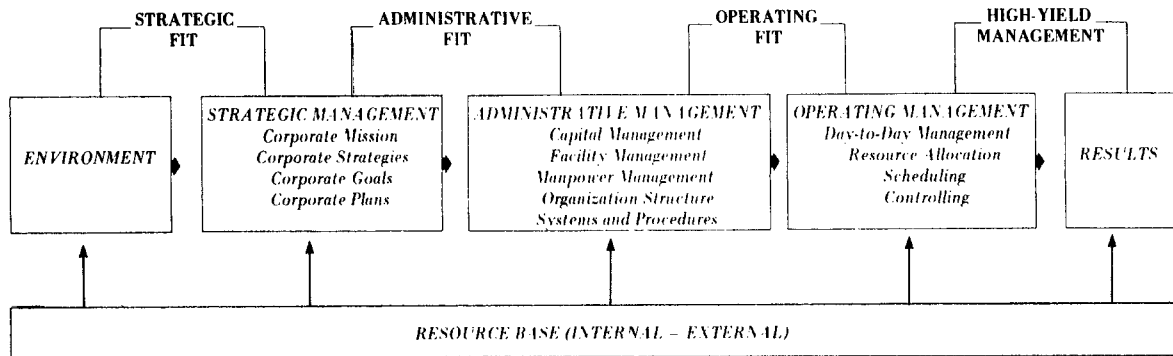
<u>Type of Outlet</u>	<u>Compound Annual Increase in Sales (1964-1969)</u>
Grocery Stores	5.9%
Supermarkets	7.2
Food Departments in Discount Department Stores	13.4
Convenience Food Stores	26.2

TABLE 3
COMPOUND ANNUAL INCREASE IN SALES
OF VARIOUS TYPES OF FOOD SERVICE OUTLETS

<u>Type of Firm</u>	<u>Compound Annual Increase in Food Sales (1964-1969)</u>
16 Leading Food Chains	7.3%
37 Leading Restaurant Companies	14.6
10 Leading Air Lines	15.5
13 Leading Volume Feeders	17.9
21 Leading Hotel and Motel Companies	18.0
5 Leading Vending Machine Companies	22.4
30 Leading Fast Food Companies	25.6

III. Emerging Patterns of Food Distribution and The Corporate Imperative

Exhibit 1
The Total Performance Model and The Corporate Imperative



A. The research imperative

Basic Economic Research
Identification and measurement of emerging trends in... Resource markets Distribution markets Consumption markets

Strategic Audit Research
Assessment of the firm's current market position Assessment of the firm's "strategic posture" Assessment of the firm's current level of performance Assessment of the firm's capability and resource base

Strategic Programming Research
<p>Identification and measurement of the firm's strategic gaps</p> <p>Identification and measurement of the firm's discretionary financial resources</p> <p>Identification and development of appropriate corporate strategies</p>

B. The organizational imperative

1. The General Electric approach
2. The Monsanto Chemical approach
3. The Boise Cascade approach

4. The Federated Department Stores approach

5. The J. C. Penney approach

C. The managerial imperative

IV. Summary and Conclusions ●

Exhibit 2
The Institutional Life Cycle and The Corporate Imperative

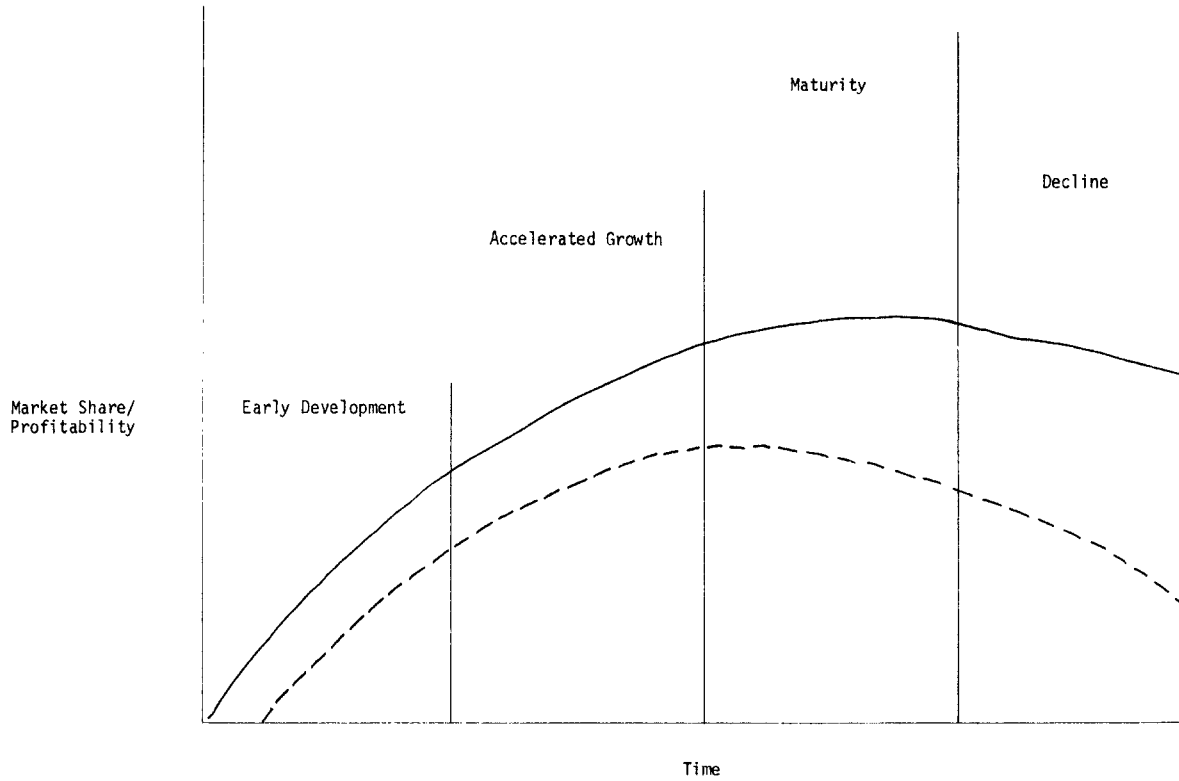


Exhibit 3
 Composite Strategic Profit Model for Sixteen Leading Food Chains
 1961 and 1969

