Happenings in United States Food Distribution

Contributed by WILLIAM APPLEBAUM

This article is based on an address delivered by Mr. Applebaum at Vesey, Switzerland before representatives of the Nestle' organization. It presents a comprehensive insight into the conduct of the food business in the United States and profiles important trends of current significance.

Introduction

I will try to discuss some of the things that are happening and have been happening in the United States that relate to the food distribution industry, as well as to some other aspects of distribution. My presentation will deal essentially with wholesaling and retailing, rather than with distribution by manufacturers.

Some developments in Europe today may already be in advance of the United States. About six years ago I tried to tell my colleagues in the United States that there were developments in Europe in food distribution, both at wholesale and retail, and by manufacturers that were tied-in and favorable to the total distribution system. I urged them to go to Europe and see for themselves what was happening there. The first reaction was, "Can we really learn anything in Europe? What have they got to teach us?" However, in time, groups of American businessmen from the food industry began to go to Europe to take a look. We have had several such groups of wholesalers and retailers, and there are more coming. I am sure that on each succeeding trip they will learn more, because creativity and new ideas are worldwide. The United States certainly has no monopoly on brains. Europeans, in my opinion, can be proud of their accomplishments and with the way they have caught up with the United States and, in some respects, surpassed the United States. Of course, we are not standing still in the United States. We are a large country, with many firms trying to bring forth new things all the time. The United States has 200 million people with high purchasing power; and, fortunately for you, Nestlé products are found in all the United States supermarkets.

The Past Is Prologue

1. *Urban Growth*

To understand where the United States is today and where it is going we have to take a look backward. In 1929 we had a crash followed by a long and deep depression which was worldwide. Between 1930 and the end of World War II in 1945 there was little construction of housing and even less construction of retail facilities. During the ensuing quarter century – 1946 to 1970 – the U.S. population increased by 50 million, and the urban population 55 million.

Between 1930 to 1945 there was a deficit in urban development, and widespread obsolescence; new construction fell far behind the needs of the country.

Here it is necessary to point out that the postwar increase of 55 million people in U.S. cities involved more people than in all of France, or in all of Germany, or in all of England, or in Italy. Stop to think what that means – 55 million plus the influx during the preceding 15 years. There was a population explosion; it took place in suburbia. Older urban areas were abandoned by younger people and by people of higher income – they moved to the suburbs. The central cities, on the other hand, were being filled by people who came from rural areas, especially from the South, all from the lower income groups. The buildings they moved into were not improved or remodeled. Similarly, the existing store facilities to serve them remained essentially the same, and to a large extent they became even more obsolete. Thus while the suburbs were booming the central areas of the cities were going down.

In spite of the tremendous development of the suburbs there remained a housing deficit in urban U.S. All the commissions that have studied the problem have emphasized that we were not building enough housing units. Our present needs are about 2.5 million housing units per annum. We have been building between 1.5 and not quite 2 million in the best years. It is going to take years before the housing gaps are filled.

2. *Retailing Geography*

The story regarding retailing facilities is different. Here we have had a spectacular phenomenon – shopping centers. But we have to consider the story in its totality. The centers of U.S. cities, by and large, have been declining due to traffic congestion, inadequate parking, noise and other ecological factors. Also, people have been moving farther away. The urban core is continuing to decline in importance, particularly in metropolitan areas.

The old business districts, outside the downtown, serving residential areas that remain stable and sound and represent medium and high income have had a face-lifting. They have been rejuvenated, remodeled; parking has been provided; some of the old buildings have been torn down and rebuilt; existing buildings have been enlarged; fronts have been changed; lighting systems have been changed; and merchandising methods have been updated. Thus many of the old business districts outside the downtown in central cities have had a revival. The modernized stores serve the neighborhood effectively and are doing very well — there are no store vacancies.

In addition to shopping centers in suburbia, more and more retailing has been established along the highways, always with ample parking. This retailing is essentially specialized: gasoline stations, motels, restaurants, self-service furniture stores, self-service shoe stores — even drive-in banks — and other enterprises depending on automobile traffic. There are no statistics on how important highway retailing is, but it is important.

Many supermarkets have been established on free-standing highway locations. There are probably more supermarkets on free-standing highway locations than in shopping centers. The same applies to self-service department stores.

All these things are important in the U.S. geography of retailing, but the planned shopping center is the most complete and integrated expression of our retailing firms today. The regional shopping centers with the facilities they provide, not just retailing but also a variety of services and offices, are powerful competitors of the downtown. I believe the United States has learned lessons from Europe in developing regional shopping centers; maybe first from Sweden.

The large regional shopping centers are the downtown of very substantial areas, serving customers from a population of a quarter of a million or more. The smaller centers are very numerous and continue to multiply.

3. *New Trends in Shopping Center Development*

In the last year or two we have been experiencing very difficult problems with construction costs which have gone up something like 12% a year, with interest rates that have skyrocketed to 9, 10 or 11%, and with brand-new demands by financial institutions.

Insurance companies and foundations which make money available for the development of the larger shopping centers are no longer willing to lend money on just an interest basis. They now demand a "kicker" (an interest bonus from the developer's profit) and "a piece of the action" (an equity interest). They want a part ownership in shopping centers; they no longer want to be just money lenders. And so the insurance companies and the foundations are moving in as partners in real estate developments.

The big department stores have found it advisable to buy the land or lease it and build their own buildings. Some of the larger department store firms have become shopping center developers. Under these emerging conditions, the independent developer of the larger shopping centers is no longer in a position to have the whole thing himself, as his own enterprise; he now has to share it with others. The chances are that in the future, at best he will manage the center and own and control that part where the small stores are located. Eventually big insurance companies, foundations and big labor unions will control the large shopping centers that will be built. This is a change that is taking place in the United States, and I am afraid that we are not going to arrest or reverse it.

In spite of all these difficulties, higher construction costs, higher cost of money, "kickers" and the demands of financial institutions of "a piece of the action" — nevertheless we are going to see a continuation of the growth of shopping centers in the United States. During the next ten years, between 1970 and 1980, it is expected that our population will increase by 30 million. All these people will live in the cities, essentially in the large metropolitan areas. So we will have the same problem of providing retailing and other facilities for them. That is the general picture of the trend that is going on in our country. This is the outlook regarding the development of retailing facilities in the United States.

Stages in Retail Development

In the development of retailing we have had different stages. If we take the chain store figures for one year, 1969, we can discern the stages of development.

Table 1

1969 Chain Store Building Activity

Type of Chain	New Stores	Remodeled	Ratio-N/R
Department stores	330	1,000	1.0/3.0
Discount stores	525	360	1.0/0.7
Variety stores	505	1,371	1.0/2.7
Drug stores	1,217	894	1.0/0.7
Supermarkets	1,585	2,875	1.0/1.8

Source: **Chain Store Age**, January 1970

In a rapidly developing stage of growth, more new stores are built than are remodeled. The reverse is true when "maturity" has been reached. Thus we find that department stores and variety stores remodeled about three stores for every new store built. On the other hand, discount stores and chain drug stores built about 1½ stores for every store that they remodeled. This reflects the continuing impact of self-service on general merchandise and drug store retailing. In the case of supermarkets, almost two stores were remodeled for every new store opened. Clearly, supermarkets have reached maturity. Older stores in good locations with a healthy potential are generally the ones remodeled.

Every neighborhood already has at least one supermarket. Department stores have branched into regional and community shopping centers. Variety stores are trying to hold ground in long-established good locations by remod-

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eling. Discount stores (self-service general merchandise) are still comparatively new stores, hence the relatively low remodeling ratio. The large so-called self-service drug stores are still multiplying rapidly, mainly under the management of large supermarket firms such as Kroger, Jewel, Safeway, Red Owl, Stop & Shop, etc. Kroger alone has built over 300 Super X drug stores during the 1960's, with sales of well over $250 million. There is still a rush to find good locations for self-service drug stores.

The chains have found that where a self-service department store and a supermarket were located side by side, sales increased in both stores; in the case of the supermarket, it was about 15%. So supermarkets combined with self-service general merchandise stores. Next was added a super self-service drug store. When the three are put together, the result is a new type of retailing complex. A number of companies are moving in that direction; Stop & Shop is one of them. It will be interesting to study the behavior of the customers in these complexes because some of the products are available in all three departments or stores.

Convenience Stores

The development in the United States of the convenience store has received a great deal of attention abroad. Some of the hopes and expectations of the convenience store are, I believe, overly optimistic. Convenience stores are relatively small stores (2,000 square feet). They are self-service superettes with parking for a few cars. They typically have one cash register. Store hours are from 7 in the morning to 11 at night 7 days a week. There are today, under various names, about 12,000 convenience stores in the United States with average annual sales of about $180,000 per store. At the rate that they have been growing, we can expect somewhere between 25,000 and 30,000 convenience stores by 1980 in the United States.

If 25,000 of these stores will be doing $200,000 a year each, then by 1980 they will have $5 billion sales, or 5% of the total food store sales.

Therefore one should not get overly excited about the sales potential in the convenience stores for the long haul. The new supermarkets that will be built and remodeled in the ensuing decade will increase their sales, disregarding inflation, vastly more — they will probably add $15 billion in new sales.

The Lewis Grocery Company of Indianola, Mississippi was purchased by SuperValu. Indianola is a small city. Lewis is the parent company of Sunflower Food Stores, a chain comprised of 57 affiliated and 22 corporate-owned supermarkets. Lewis is presently operating six convenience stores under the name Mr. Quick Food Mart. Its plans call for an additional 10 to 13 stores by the end of 1970. The most successful convenience stores operation is the "7-11" group of about 900 units in the South.

Mr. Quick Food Mart is also establishing self-service gasoline pumps — two pumps — premium gas and regular gas. The customer helps himself and the amount of the sale is shown on a register in the store where payment is made. So Mr. Quick sells gasoline with the groceries.

Interestingly, as far back as the 1930's I had observed in my market research studies for Kroger in the South that it was pretty common then for a grocery store and a gasoline station to be combined. So there is nothing new about that idea in the South. But Lewis is adding this on a self-service basis.

Lewis is also adding fast foods, chicken and sandwiches, in these Mr. Quick Food Marts. Eleven chicken shacks are already tied-in with the meat department of the regular supermarket operation. The latest addition is a soft ice cream machine.

What is also significant is that Lewis is trying to operate Mr. Quick Food Marts with a man and wife team. They want the man and wife to devote themselves from 7 in the morning to 11 at night, 7 days a week, to the operation of these stores. Thus the convenience stores are really a modern replacement of the old pop and mom stores. Furthermore, these stores have a limited selection of merchandise, fast movers basically which carry, in regular supermarkets, low margins. Because the convenience stores have high operating expenses, they must get high margins on these items, which they do. Their only attraction for the customer is their offer of time and place convenience.

This is the development; there are other variations. Last summer on a holiday in Nova Scotia I saw gasoline stations with a little restaurant, where the tourists can stop to eat while buying gasoline. The combination of the two enables the gasoline operator to make a living during a relatively short tourist season.

The Food Retail Sales Score

Between 1963 and 1968, according to the latest U.S. Business Census data, the number of grocery stores decreased by 30,000. Actually more went out of business because some new stores were built. Also there were 37,000 fewer stores with less than $500,000 annual sales, even with inflation. Fully 60% of the retail food sales were in 15% of the stores. The chains gained sales at the expense of the independents. The average store sales, including supermarkets and others, by the chains was $1.3 million.

The sales of food stores during the decade 1958-1968 have increased by more than 50%. On the other hand, A&P's sales during this period were essentially "stagnant." In fact, allowing for inflation, A&P actually lost considerable tonnage. A&P has problems. My own feeling is that A&P will make good progress during the 1970's.

Table 2

Ten Year Trend in Food Store Sales 1958 and 1968 (in billions)

	1958	1968
Independents	$28.9	$41.4
Chains	18.6	34.5
Specialty stores	4.8	5.6
Total	52.3	81.5
A&P	5.1	5.4

Source: **Progressive Grocer**, April 1970.

Diversification by Retailers

1. *Retailing Unlimited*

In recent years most of the larger food companies, both retailers and wholesalers, have been moving in new directions. About a decade ago the supermarket industry asked itself, "Are we going to remain food merchants or are we going to be retailers who sell many things?" Here is how they have answered that question.

The Jewel Companies, which changed its name from Jewel Tea Company to the Jewel Companies, stated in its annual report for 1969:

> Jewel plans to add 120 stores in 1970. It opened 83 stores in 1969. Emphasis will be on geographic expansion this year. Eleven Turn-Style self-service department stores are planned in Illinois and Michigan, while 22 Osco drug stores are to be opened, including 12 in the market areas not now served. The company plans to open a minimum of 35 new White Hen Pantry franchised convenience food franchise stores

in Illinois, Massachusetts and Wisconsin.

Significantly, at the last Jewel Board of Directors meeting, Jewel announced that Don Perkins, President, is going to be Chairman of the Board and that the new president is the former head of the Osco drug operation – not a food man.

At the end of last year, the Kroger Co. did the same thing. The head of Kroger's Super X drug store operation was made president of the Kroger Co. No longer is a grocer head of the business.

National Tea Company too is no longer just in the food business. Its interests have been expanded to merchandising soft goods, seasonal apparel for the whole family and products for the home, car, garden and leisure time.

National will keep both non-foods and drugs within one store. This merchandising philosophy appears to set guidelines for the 954 unit chain, whose volume for fiscal 1969 was in excess of $1.5 billion.

Previously I have pointed out that A&P has lost position during the last decade but that I anticipate a comeback during the 1970's. I read from *Supermarket News*, dated 22nd June, 1970:

> A&P, which recorded a 17.8% profit jump and record sales of $5.75 billion in 1969, is setting its sights for a better performance this year. At the annual meeting here last week, executives of the chain outlined some of the areas that would be of prime concern in the upcoming months. A&P plans to feature more non-foods, to offer wider variety and to continue seeking viable diversification opportunities.

So, this is the direction in which A&P, too, is about to go.

Recently Stop & Shop of Boston, large regional chain, ran an ad which stated that Stop & Shop "no longer lives by bread alone"; that it is a company which operates 146 supermarkets called Stop & Shop, 52 self-service department stores called Bradlee's, 7 drug stores called Medi-Mart, two toy and leisure shops called Funshop and 21 tobacco shops called Charles B. Perkins. Furthermore, Stop & Shop also has two food manufacturing companies, a toy distributing company and a potato company.

The same story applies to many other companies – they are moving into diversification in food, prepared foods and institutional business. For example, the Kohl Corporation in Milwaukee, which operates some of the finest supermarkets in America, is developing an institutional business to service universities, hospitals, airlines and others.

Kohl started this about three years ago. They aim to tie-in their very fine bakery, kitchen and delicatessen manufacturing facilities into their institutional business. Kohl is not currently using these facilities to the fullest capacity. Kohl's is not the only supermarket company going into the institutional business.

The diversification of these activities by food retailers has been spurred in past by tight rulings of the Federal Trade Commission, which tie the hands of the big and medium size chains in expansion by acquisition – they may not buy other food chains. This can be illustrated by what has happened in the last couple of years to one firm.

The Consolidated Corporation had had a spectacular history. The U.S. courts have told Consolidated to get rid of some of its voluntary food chains and other retailing operations. Consolidated has sold a group of stores to Lucky's. It has also sold its voluntary wholesale food distribution business to Bankit Industry Ltd. of Milwaukee and is pulling out from all similar operations. Consolidated still has a large institutional business throughout the U.S. with its high quality Monarch Foods. Consolidated is now a vast conglomerate, essentially divested from retailing on its own account.

2. *Manufacturing Blends with Retailing*

As chain companies get larger they go into manufacturing a number of products for sale in their own stores. Some of them are also reaching out to sell their products to other types of customers, even competitors. Gold is gold wherever one finds it. Today all of the large food chains are also in manufacturing. Typically they are increasing these operations, basically to supply their own stores.

Perhaps we should explore a bit into A&P's food manufacturing – the most important among the chains. A&P's present food manufacturing and processing capacity in new facilities are said to be $500 million a year at wholesale prices and A&P is building more such facilities. There are not many food manufacturers in the U.S. that do more than $500 million sales. A&P is interested in selling to others high quality merchandise which they produce for their own use. A&P has no interest in doing business with people who are primarily looking for price. A&P considers the quality of its own merchandise to be as good or better than nationally advertised brands. A&P has set up Compass Food, Inc., about seven months ago, as a separate corporation, to handle this business. Presently A&P does considerable business with the U.S. Army, although "there are problems because commissaries are so widely scattered." Recently A&P acquired a poultry processing plant and is continuing to sell established customers such as Food Fair and other chains. (Food Fair is a $1.5 billion firm.)

A&P has ample capacity in all lines it manufactures, except frozen french fried potatoes. It is especially interested in selling mayonnaise, salad dressing, jams and jellies, peanut butter, cookies (which are manufactured by ten different A&P bakeries), candy, dog food, health and beauty aids, canned and potted nuts.

Grand Union and Acme, both companies with over $1 billion sales, have given up their own coffee roasting plants and are now buying from Food Fair – which has a modern coffee roasting plant – to everyone's advantage. First National Stores has increased its manufacturing and is selling to other chains. Interesting accounts could be given of Kroger, America, Jewel and others.

U.S. Department Stores and Food Retailing

Now let us look at something else. Department stores in Germany have been very successful in the food business. The German department stores not only know how to sell a wide variety of quality food merchandise – they sell it in a service basis, provide service including delivery, and have also learned how to handle perishables as well as groceries on a self-service basis. They are doing a superb job. It is my understanding that the department stores in Germany today are doing about 20% of their business in foods.

Department stores in other parts of the world have also been interested in the food business. In the United States there was a little of it some years back, but by and large, U.S. department stores have not been interested in the food business. However, since they started to move into self-service department stores, they have had, some of them at least, a change of heart.

Federated Department Stores acquired Ralph's Grocery Company in California over two years ago. The Ralph's stores are outstanding. They are building more such stores. Ralph's Grocery Company reportedly will convert at least six present units to a retail warehouse operation. These retail warehouse operations are presumably a version similar to the Hypermarche in France and the Verbrauchermärkte in Germany. They call these stores All Star, which is Ralph's private brand name.

J. C. Penney has very recently acquired a group of 31 supermarkets from the American Community Stores Corporation in Omaha. The firm operates stores in self-service department stores, nine of which are in Penney's Treasure Island self-service department stores. I have been told that Penney's goal is $1 billion sales in Treasure Island stores in four years. At present Penney does about $200 million in the Treasure Island Division.

Allied Department Stores, which has already some self-service department stores, is also looking around for an acquisition of supermarkets. The S. S. Kresge Company, with its K-Marts, has a number of different food concessionaires in these stores. Kresge has reached the conclusion that as a general merchandising retailer it is not going into the supermarket business.

Franchising

About two months ago, I was on a program of the Center for the Study of Franchise Distribution at Boston College. Professor Donald N. Thompson presented the results of a study which he conducted to ascertain the extent of franchising in the United States. Our Census Bureau does not produce information on franchising. He concluded that in 1969, the total franchise business amounted to $122 billion. This includes automobiles, gasoline stations, and bottling of carbonated drinks. If we take out the motor indutry, gasoline and bottling, the franchise industry in 1969 did $35 billion, of which $27 billion was in retailing — half or approximately $13 billion — was in wholesale and retail systems in the food industry, in retailer co-operatives and wholesaler-sponsored voluntary groups. There is nothing new about this form of franchising.

About 600 establishments operated under trademark licensing arrangements in the bread and milk industries; these accounted for about $1.6 billion sales.

Also under trademark licensor-retailer systems, like Kentucky Fried Chicken and McDonald's as well as a number of others — including soft ice cream and other fast foods and roadside stands — there were over 32,000 establishments with total sales of $2.5 billion.

The franchise business in the U.S. today is in for some trouble. The franchisors are in trouble partly because of the way they have kept their books for stock manipulation. One company one year showed $7 million profit and the next year it showed a $3 million loss — a bookkeeping adjustment. Secondly, they are in trouble because of abuses. A very large number of franchisees have been squeezed out by the franchisors. The franchisors discovered that in the long run they can make more profit if they own the stores themselves. Of course the franchisees do not want to get squeezed out. So they are complaining to the Federal Trade Commission and to Congress. Congress and the Federal Trade Commission are not going to sit still on that. There will be some tightening up in the franchise business.

Among the newest franchise developments, the fast food story is the most spectacular. There is an interesting story about Kentucky Fried Chicken Corporation. *Business Week* of June 27, 1970 reported that Mr. J. Brown, President of KFC, has ballooned the company in a few years into the biggest thing of its kind in the food industry. According to one reliable estimate Kentucky Fried Chicken is now the nation's largest commercial food service organization, outdone only by the Army, the Navy, and the Agricultural Department's school lunch program. The total Kentucky Fried Chicken system, including both franchise and company-owned stores, grossed $430 million sales in 1969. By the end of March, the KFC brand was in some 2,942 stores in the U.S. and in 20 foreign countries. The atmosphere at KFC is less than ecstatic these days, because the franchising industry is suffering a bad case of hangover. The company is conducting a thorough management shake-up. Nearly three-fourths of KFC 1969 corporate sales of $163 million came from units it owned rather than franchised. Brown's aggressive campaign to repurchase operating units from franchisees has slowed considerably.

We can expect shake-outs, failures, and many changes in the newest forms of franchising, particularly in fast foods.

Application of Electronics to Distribution

A few words about electronic data processing and other applications of electronics to distribution. This is a big subject. Electronic data processing for accounting and record keeping is spreading because it is practically available to everyone in the U.S. There is a great emphasis on using computers and electronic data processing for inventory management — at the wholesale level for ordering, at the retail level to achieve faster turnover and better stock control and at the stores especially, for better space utilization. We are also trying to use computers to help us in decision making, especially with respect to what items to discontinue. The computer cannot tell us what new item to add, without past experience. Nor can it tell us how customers are going to react to new items and promotions.

The computer can be helpful in developing data with regard to pricing and margins, balancing one item against another in a product mix. The computer can be helpful in providing data with respect to space allocation and many elements that go around it. The major project on this in the U.S. is COSMOS. National Cash Register, the Case Institute, the National Association of Food Chains, and the Super Market Institute are all involved in this and are spending a lot of money to make the study.

The computer is also being used for store location research and for planning store strategy. Here, after all the field work has been done, the computer can be used for simulation analysis, and it can print out maps, but the computer cannot do very much beyond that.

These are the directions in which EPD is moving in the U.S. Most important are accounting and record keeping; second is inventory management. The other developments are just beginning.

Several years ago I worked with Sylvania Electronics on developing a computerized check-out operation. Sylvania announced that it was coming out with an electronic check-out operation called Score. The announcement was premature. My role was to consider what could be done with the information which Score could produce. I saw the machine but never how it operated. This machine worked, I was told, but had some faults: the scanner made some mistakes on crumpled packages such as potato chips because it could not get a good reading. A cash register has to be 100 per cent accurate.

There were other problems. One of these registers could take over the work of four conventional registers. If a store needed five conventional registers what was the store to do? Another problem was how to provide service if something went wrong. Sylvania dropped the project.

In spite of such problems other manufacturers are coming out with check-out machines with EDP capabilities. One such machine is now being tested in a Food Fair store. We still have to find out how effective such check-out machines will be. However, when item coding is developed— I hope it will be an international code – and we resolve other problems, perhaps in a decade – it may come sooner – we shall have the capacity for ordering from the store by code number, perhaps straight to the manufacturer. As more very large stores are established by 1980 it may become possible for manufacturers to move palletized loads right into the store. These are possibilities for the future.

Consumerism and Its Impact

1. *Consumerism Is Getting Attention*

Consumerism is a development that is spreading in advanced countries. It is beginning to get attention in the U.S. Consumers have grievances against business and they want satisfaction. Recently more than 15,000 interviews were conducted throughout the country by the Gallup Poll for Foote, Cone & Belding Advertising. It concluded that women are going to become increasingly cost-conscious as long as inflation continues. Women are scrutinizing prices relative to the amounts of contents in packages, and have become disillusioned with the large economy size. Women will probably continue to increase consumption of lessor known and private brands.

Supermarket News of May 25, 1970, reported that Jewel Food Stores had acceded to the demands of a student group to place signs in its stores indicating the relative phosphate content of 22 popular brands of detergents. The signs were placed in the soap and detergent sections of all Jewel stores, in response to a request by Northwestern University students for a better environment.

A supermarket executive recently warned, "Accept the penalties of leadership, or you'll pay the penalties of marketing under the watchful eyes of an army of Ralph Naders." He warned that manufacturers as well as supermarkets must act before they are overwhelmed by the currents of consumer unrest. He called special attention to the problems of deceptive packaging and package weights – problems which manufacturers should resolve, but which retailers are being asked to solve by dual pricing, which increase store operating costs.

Clancy Adamy, President of the Association of Food Chains, predicted that the first five years of the 1970's will see continued troubles with consumerism with continued inflation as the basic cause.

Commissioner Marie Gardener Joans believes that in the coming decade food and all its related aspects of production, labeling, advertising, must be treated by the Federal Trade Commission as one of its highest priority programs. The Federal Trade Commission has already established its first Consumer Advisory Board in New Orleans. The Commission plans to establish similar boards in each of the 11 cities where it has field offices.

Professor Stephen A. Greyser of the Harvard Business School believes that consumerism is an outgrowth of certain basic changes in society and in marketing over the past 20 years, and that it is not only here to stay but will probably grow in importance. Advertising claims will have to be carefully scrutinized for veracity, and that fuller information must be made available on product performance.

The U.S. Chamber of Commerce adopted a 10-point business consumer relation code. In general the 10 points encompass a broad field of consumer interests including health, safety, environment, quality, fraud and deception, warranties and product services and repairs at fair prices.

2. *Consumerism and Dual Pricing*

Dual pricing is a response to customer wishes to know what value they get. Now what is dual pricing? Dual pricing is very simple. It is often referred to as unit pricing. Migros has had it for years in Switzerland. Under dual pricing or unit pricing, the weight of the contents in a package is shown, as well as the total retail price and the price per ounce or gram. U.S. meat departments have used such pricing on fresh meats for a long time. In Turkey I observed a different kind of dual pricing, required by law. They give the wholesale cost and the retail price; the merchant must not charge more than a fixed margin above his wholesale cost.

Several large chains have already instituted dual pricing, some only experimentally. Among these chains are Safeway, Kroger, Grand Union, Jewel, Stop & Shop, Kohl's, etc. A few words about Kohl's, by way of illustration, may be in order. With some 50 outstanding supermarkets in Milwaukee and other towns in Wisconsin, Kohl's has a very high quality operation without stamps. It had a high price image. Still it enjoyed about a 25% share of the market. Watching consumerism it decided last year to go to mini-pricing – a low price policy. In June this year it instituted dual pricing in all stores.

U.S. companies that have instituted dual pricing typically provide free or at a small charge a slide-rule-like simple device which customers can use to calculate themselves cost per ounce for items which do not show this. Kohl's give this aid to customers without charge. Kohl's executives consider dual pricing in their stores as a psychological plus – it is not a promotion to build sales.

The Home Economist of the University of Wisconsin at Milwaukee made a study of the dual pricing in Kohl's stores and published in the local newspaper an evaluation of what this does and what it does not do. Basically, unless the customer knows the difference in quality of two brands, knowledge of the difference in cost per ounce is not enough to decide which brand is really a better value. Where the same brand is available in more than one size, the customer has a true value comparison, but still has to decide which size meets the needs best. A larger size may be cheaper per ounce but it could be a wasteful purchase, more than the customer needs. There are still other considerations.

Several companies in the U.S. have been conducting studies of consumer reactions to dual pricing but they have not disclosed their findings. Only Stop & Shop has seen fit to give some information. Stop & Shop interviewed 500 customers who had shopped in the stores where dual pricing was being tested. Of those questioned, 67% said they did feel a need for price per measure information. However, only 24% of all customers interviewed were aware of the dual price experiments in the store, and only 13% could name one or more of the items being tested. Some of the major conclusions drawn from the interviews were that higher income people are more significantly aware of the dual pricing concept, but they lean towards the brands of their choice regardless. Customers of the lower income area stores did not show this same awareness, but they tended more than the higher income customers to buy the lower priced brands.

So, the public is not fully educated yet to the significance of dual pricing, and maybe it really does not care as much as the advocates of dual pricing claim. The Senate Sub-Committee for Consumers is watching the experiments in dual pricing. No doubt we shall hear more about it in time.