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GOVERNMENT - RETAILER - CONSUMER - A CHANGING ERA

by

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The success of any company depends at least partially on its ability to recognize and respond to cultural changes and to capitalize on the new requirements evolving out of the changes in the external environment in which it operates.

Consumerism is such a change--a social movement of the times that is part of a complex societal reordering of individual values and priorities.

Marketing historians may well look back at the decade of 1970's as the "age of the people"--an age where phrases became causes; "Quality of Life," "Ethnic Pride," "Black Power," "People Power," "Peace," "Love," "Chicano," "Brotherhood," "Disadvantaged," "Human Dignity," "Environment," "Communication" and on the negative side, the buzz words; "Gouging," "Profiteering," "Rip-off," etc., etc., etc., and although many of the phrases, the buzz words or, in effect, the new cultural lexicon may be "replaced by others, the substance behind them will endure long enough to significantly transform the society in which we live. It is already happening."¹/ Consumerism has both negative and positive aspects; it can be a potential threat to the welfare of business, the consumer and society or it can be an opportunity.

Before we can respond to consumerism, we should have a "basic understanding of the causes, dimensions, and momentum of the movement." Management

Horizons Inc., Columbus, Ohio with whom we are associated as clients, describes the evolution and development of the modern consumerism movement in the context of 5 categories of events: (Appendix A) (causal process of the modern consumerism movement).

1. Business System Defects and Abuse of Corporate Powers in the Marketplace.

For Example:

...The automobile industry continuing to market the large car, in spite of a changing economy and environmental effects and failing to recognize foreign competition with the small car. We have all seen the results.

...The retail food industry suffered more, in my opinion, from naivete' rather than deliberate abuse of the marketplace. As a service or pass-through industry, our particular role was completely misunderstood but at the same time left us critically exposed and vulnerable, e.g. proliferation of product, etc.

Plus

2. Increasing Rate of Inflation combined with the incredible (for U.S. citizenry at least) high level of food costs once we became part of the world market.

Plus

3. The Educated, More Affluent Consumer with Higher Expectations of Business Performance and Less Tolerance of Business Mistakes. Perhaps the

greatest impetus for change came from the college students of the Vietnam era whose basic subsistence, economic and security needs satisfied, turned to the social needs of self-actualization or individuation and with it a concern for the quality of life--in effect a complete change in personal values.

Equals

4. The Vacuum of Discontent - The attitude on the part of many people that business has violated its position of power in the society and actions must be taken to rectify the situation--in this sense, consumerism could be called a "grassroots" movement of the people to enlist countervailing powers to correct the malfunctioning marketplace mechanism. It is important to understand that although the consumer believes he/she has all the power necessary to refuse to buy a product, he/she does not consider this adequate. The consumer advocate maintains that because business has broad social power, it follows that business must exercise parallel or commensurate social responsibility. "The iron law of responsibility" could very well apply; "an institution which fails to exercise its social responsibility equal to its social power, will lose some of its power." Today it is working faster and more pervasively than in the past.

Plus

5. Increased Activity to Isolate and Make the Public Aware of Business System Defects by consumer advocates, the media, vote-seeking politicians, social critics, consumer groups and consumers. For example:

...There were over 1000 proposals in the State Legislature and Congress this year to ban one way bottles and cans.

...Thirty states have proposals mandating individual item price marking. We are also seeing labor union in alliance with consumer groups lobbying to restrict the

use of computer-assisted checkout systems in 30 states and in Congress.

To Illustrate the Accelerated Growth of Consumerism: (attachment prepared as of 1974 is already outdated - Appendix B)

...These are over 33 federal agencies with consumer protection departments--and now in Congress a proposal for a super agency--consumer protection acts of 1975.

...Every state has a consumer protection department either as a separate agency such as the Massachusetts Consumers Council or a department within the ag's office or both.

...In states like New York, every county has a C.P. department.

...Countless cities throughout our country also have special departments such as N.Y.C.

...Virtually every legislative body has a consumer protection committee--usually joint Senate and Assembly or Representatives.

...As for consumer groups, they are almost too numerous to describe in their varying degrees of influence and power (see attachment). For example: CFA (Carol Tucker foreman, NCC (Ellen Zawel); PIRG, a Nader off-shoot as is CCAG.

...The media in all forms have consumer reporters covering every imaginable consumer interest--this, not including major publications such as the consumer union, etc.

...The individual consumer from all walks of life through education and media exposure is increasingly more vocal in demanding changes in the marketplace.

Equals :

The Modern Consumerism Movement. Society has now institutionalized consumerism--it has substance, tangibility and clout. Despite the verbal excesses of some of the consumerism leaders, and political expediency on the part of many of legislators, consumerism continues to enlarge its scope and increase its impact.

Each company has to develop its own strategies depending on its individualistic situation in responding to consumerism.

My company began developing its formal program about 4 years ago. We are extremely fortunate, in that our President and Chief Executive Officer, Mr. Alan L. Haberman is both philosophically and practically consumer oriented. His leadership and support have provided us with extraordinary receptivity in our company.

First National operates in 6 New England states, New York and New Jersey. A multi-state operator because of the threat of overlapping and conflicting laws is continually faced with situations which, if left unopposed, may result in exorbitantly increased operating costs.

The need for representation, for a spokesman to state our case before the various Legislatures and Congress became increasingly clear--to the point of necessity. About one year ago my job, one I had been handling on a partial basis, was formally created, (V.P. Government Affairs and Trade Relations).

In this capacity, I move around the eight states and Washington talking to legislators, appearing at hearings and presenting position statements and documented evidence either in approval of or opposition to the many bills being proposed or heard.

Trade associations both state and national are playing a more alert and effective role today in the legislative process, providing us with additional support and acting as a coordinating bridge across the many communities in which we operate.

Perhaps the most dramatic change has taken place in our Consumer Affairs Department which has been expanded from one person to a corporate director with one person in each of our six divisions. In addition, we have a separate department of nutrition, headed by Dr. Hargaret Ross, Dean Emeritus, Home Economics Department and Professor of Nutrition, Simmons College, Boston and assisted by a two person staff. This Department is currently engaged in publishing a series of free handouts (2 to 300,000 each issue) on low budget nutritious meals, speaking to consumer groups, schools, the elderly, low income families, etc.

In the past few years voluntarily instituted in every store in our company, unit pricing, open dating on all perishables, and nutrition and ingredient labeling on as many private label items as we have information available.

With the initiation of these programs, other more dramatic changes have taken place in our organization; changes in our people's attitude, barely perceptible at the beginning but growing stronger each day. The philosophy of our company is aptly illustrated in a message to our 18,000 employees from our President Mr. Haberman entitled "The Obligations we Owe Our Customers." (Attached front page of in-house employee organ--Appendix C).

Programs which in the past might have been resisted were accepted with enthusiasm such as:

...No repricing shelf inventory--August 24, 1974

...Double-your-money-back satisfaction guarantee on fresh meats

...Triple option on advertised item; rain check, substitute item equal or better quality at sale price, and double the difference back where price marked is higher than advertised price.

All of these programs are designed to respond affirmatively to customer's perceived or actual needs and to re-instill confidence in our industry which has been at such a low ebb since the great Russian wheat robbery.

Finast's programs are somewhat unique but other companies are following suit at least in part. There is more unanimity of direction in the supermarket industry than ever before.

I think that the industry is acutely aware that maintaining a low profile, not stating the facts, and being continually on the defense have combined to distort our image in the community and lent credence to false charges of gouging, profiteering and responsibility for high food prices.

The supermarket industry is now speaking out, isolating and defining its position in the food distribution chain and taking a strong, positive and factual stand on the major issues of the day.

We recognize that we must accept the responsibility to educate government and consumers in the realities of our industry. No one else will.

I do not expect that we will ever be able to answer all consumer demands because not all socially oriented demands are legitimate or worthy of remedy. Nor are all groups pushing for more corporate responsibility always socially responsible for their own actions. Corporate responsibility is not a question of doing good deeds because it is the moral thing to do.

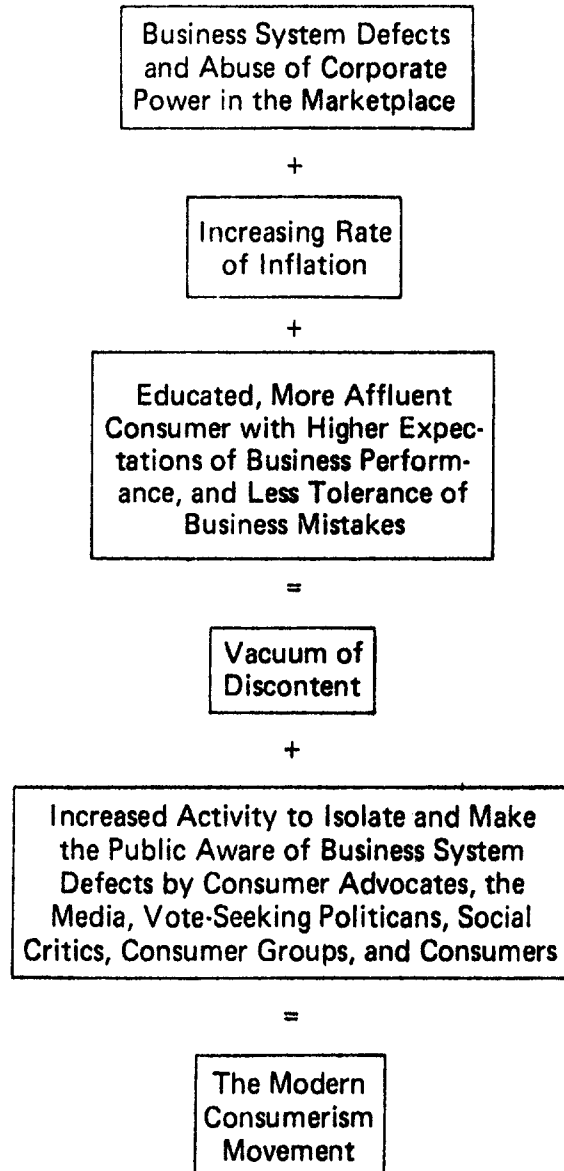
But in this "age of the people", our industry must be sensitive and responsive to the legitimate and worthy demands if we are to survive in our present form. The challenges are yet to come in this changing era.

FOOTNOTE

- 1/ Paraphrased from Leonard Berry "Marketing Challenges in the Age of the People" MSU Business Topics (Winter 1972) pp 7-8.

Appendix A

THE CAUSAL PROCESS OF MODERN CONSUMERISM



Appendix B

RAPID GROWTH OF MODERN CONSUMERISM

| | Nader Organization | Consumer Groups | "Grassroot's" Activity | Federal Activity | Consumer Reports |
|------------|--|--|---|---|---|
| The 1960's | Original budget of About \$60,000 in 1966 | Approximately 4 Organized Groups in 1965 | 1 State and 2 County Consumer Protection Agencies in 1968 | Within the Federal Government 1 Consumer Advisory Council in 1961 | Approximate Circulation of 800,000 in 1964 |
| | | | | | |
| The 1970's | Growth to About \$3,000,000 in Budget for 1974 | Growth to About 22 Groups in 1974 | Growth to 93 State, 57 County, and 44 City Consumer Protection Agencies in 1973 | Growth to about 12 Consumer Advisory Councils and 21 Federal Agencies with Full-Time Consumer Protection Staffs in 1974 | Growth to About 2,500,000 Circulation in 1973 |

Appendix C

OBLIGATIONS WE OWE OUR CUSTOMERS

The President's Corner

A nationwide survey conducted late summer/early fall by Super Market Institute gives important dimensions to how our customers are reacting to inflation.

Inflation and high prices are the number one problem worrying most Americans today and to most people inflation and high prices mean the cost of food. At the time of the survey, only 20% were feeling serious money problems while the majority were complaining but essentially were able to manage fairly well.

As inflation goes, the number experiencing real problems will most assuredly grow.

Paralleling the "money squeeze" was found a galloping psychology of inflation, rising skepticism and the search for new scapegoats. People are frustrated, angry, resentful and even fearful about the high cost of food and look to us to do something about it.

When you think about it, who else do they have?

And therein lies our first obligation--to do whatever we possibly can to hold the line on prices.

The survey also discovered that the public believes that supermarkets, unlike ordinary people, are benefiting from high prices--that supermarkets are making a lot of money these days and not just getting by. A high proportion of the public interviewed thought that the supermarkets were currently making a net income of 26% and indicated that 18% would be acceptable--when the truth of

the matter is that supermarkets have been showing less bottom line profit every year from 1966 to the present--currently averaging less than 3/4 of 1¢ on a dollar.

By action, especially, and words, when we can, we have to get the message across to our customers that Finast is working hard to help them hold the line. We need you who meet the public each and every day to tell the customers in words and show them by your actions that Finast is trying by every means available to keep food prices within reasonable limits.

And that is the second obligation we owe our customers.

It is actions that count the most. We must bring to life the "firsts" and "extras" and "regulars" that First National customers can expect. Your actions at store level, as you make our policies real, are the best way to help our customers control their cost of living.

- We must make our new No-Repricing policy work. That means the new labels and the rotation of product are musts. Every bit of freshness--every bit of price savings we can control is promised to our customers by us, and we must make it real.

- Make unit pricing come to life on the shelves and show the shopper how to use it whenever you get the chance. If people use unit pricing, they can save money.

- Keep Finast private label in stock. Display it proudly--it is quality and it is lower price compared to national

brands. Talk it up among your friends and with our customers. It will help make ends meet and help make far better meals.

- Keep open dating going on all perishables! Make sure we pull every item that is out of code, in the new area of frozen foods too, since no one wishes to buy merchandise that is spoiled especially when the dollar has to stretch.

- Keep the trim proper in our Meat Department. Our insistence on the right trim will give her the best value in the market for her money.

- Accept the responsibility of our money-back guarantee on our perishables. When we have made a mistake, it is important that she know she can rely on us to make up for it.

- In the Produce Department the package must have good product in it. One bad apple spoils the whole relationship! Inspect and rotate regularly.

- Keep our end displays attractive and full. We are one of the few chains that puts our specials up on the end where they can be seen, and our customers should buy our specials! They can be a major help to make ends meet.

I am sure there are other things that you can do at store level to help the frustrated and angry and pinched customer. We have a role to fulfill in this society--to deliver healthful, quality foods to a customer at the lowest possible price. Never has that job been more important than it is now.

Alan L. Haberman
