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IMPROVED METHODS OF RECEIVING AT RETAIL STORES

by
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Discusses Lucky Stores utilization of pallets in delivering merchandise to stores.

It is certainly an honor and privilege for me to have been invited here this afternoon to speak before such a distinguished audience and to have been included with such an imposing group of speakers.

Before touching upon the main topic of improved methods of receiving at retail stores, I would like to give you a brief view of the company I represent, Lucky Stores.

We are presently the seventh largest supermarket chain in volume in the United States. Our area of operation spreads from California in the West, to Maryland in the East.

Lucky is a consumer oriented, diversified retailing company composed of a number of operating divisions, operating under a variety of names. We would much prefer to operate under one name, but unfortunately, life is not that simple.

Our fabric division, a most recent acquisition, is located in 17 states, mostly in the southeastern part of the United States. Hancock's 82 stores are about 15,000 square feet in size and are serviced directly from their headquarters in Tupelo, Mississippi.

We are also involved in the automotive business, owning such companies as Auto Parts West, with three warehouses, distributing and selling to jobbers in the San Diego area.

Nelson Auto Parts sells to the trade as well as catering to the public from its

ten stores in the San Diego area. Nelson offers a complete selection of both foreign and domestic auto parts and accessories.

Kragen Auto Supplies is located in northern California with 11 retail outlets, located in Salinas and San Jose.

Dorman's Tire Stores consists of 14 outlets in the San Diego area. Dorman's also has one of the largest tire retreading plants in southern California.

L & G Sporting Goods is the beginning of a chain of specialty sporting goods stores and it presently consists of four stores in Orange County.

Our pharmaceutical division operates May's Drug Stores in the mid-West and Cal-Pharm operates the pharmacies in our discount centers and in our Gemco and Memco membership department stores. This amounts to over 100 units.

Our apparel division operates out of our 121,000 square foot soft goods distribution center in Pico Rivera. It is completely automated and supplies 179 outlets. It processes some 2½ million hanging garments plus 10½ million flat garments annually. From this point on, we will be describing stores which are more closely associated with the supermarket field. All of these units are serviced by our Buena Park warehouse.

Gemco is our membership department store and there are similar units on the East Coast operated under the name of Memco. We have eight discount centers located in Houston. We operate in this market and throughout the mid-West under the Eagle name.

Food Basket is a familiar name in the San Diego area where we operate 18 stores.

In the southern region, we operate 60 conventional stores under the Lucky banner. These units range in the area of 20,000 square feet.

Now we get to our newest type store, our discount center. We are really proud of these units, with their beautiful exteriors and spacious parking lots. Actually the modern discount center, of which there are 63, has been slightly improved over the years.

Again, all of these stores are serviced from our Buena Park distribution center that has grown from 400,000 square feet under cover when it was opened in 1962, to well over a million square feet under cover today. It is situated on 63 acres of land and consists of a grocery and non-foods warehouse, bakery, deli warehouse, meat processing plant, dairy plant, and a future ice cream plant which is under construction.

Our meat processing plant handles about 3,000 head of beef a week. We produce about 27 items in the bread line and produce over $\frac{1}{2}$ million units per week. We produce all dairy items except cottage cheese, butter-milk, yogurt, whipped cream, and butter.

As you can probably tell, I am extremely proud of the company I work for. We have expanded dramatically and rapidly in the last ten years, and this expansion has come about through two main causes.

The number one cause is the fact that Lucky has been a company totally dedicated to discounting since 1962. It is through this dedication to a philosophy that we attribute our success. We still feel the program we are offering is accepted by our customers as being genuine and providing for them the best overall value.

The number two cause of our success has been our ability to maintain or reduce expenses in our operation through the use of the most modern and efficient methods and equipment available. We are all aware that the prime cost of doing business in this day and age is labor. When we start talking about the cost of labor, including all the fringe benefits that are now available to the employee through union contracts, and the

basic hourly rate of around \$4.50 per hour, we are talking about a cost per man-hour for a journeyman clerk terribly close to \$6.00 per hour. At this cost figure, it becomes imperative that we take a very critical look at all the job functions going on within a retail store in order to minimize labor and thereby minimize expenses, and increase profits.

One of the greatest labor saving devices that has ever been developed and used within our industry is a very simple wooden structure, 48 inches by 40 inches, commonly known as a pallet.

It has not been too many years in the past when all movement of product within our industry was done by hand. Equipment such as two-wheel hand trucks, four-wheel flat carts or dollies, and conveyor belts and rollers were developed and slowly came into use in order to move more merchandise in a shorter amount of time and with a reduced cost of labor. These devices helped to make the retail store more productive, but the movement of merchandise to the retail store from a warehouse was still done primarily by hand as the trucks were loaded and unloaded by using the muscles in an employee's back. The development and use of the wooden pallet greatly reduced the physical energy expended by employees in order to move product thereby increasing their productivity and reducing the labor cost of the supermarket.

Lucky Stores is completely dedicated to the concept that the most efficient method of moving merchandise at the present time in the greatest quantities with the minimization of labor costs is through the use of this simple wooden pallet.

Pallets are a very integral part of our operation and at the present time have 100,000 in use in our operation in the southern region.

The pallet is used in the movement of merchandise and product from all of our warehouses and plants to our retail outlets, with the exception of the Harvest Day Bakery. Its primary value is in the movement of dry groceries as they make up the bulk of the tonnage moved through our warehouse. Non-food

items are also shipped on pallets either in their original cases or in the case of small items, such as health and beauty aids, in grey plastic tubs. These tubs are 16" X 21" and are 12" high. They are designed to fit on a standard pallet six to a layer and can be stacked five high if necessary. They are designed so that they can be nested together for return to the warehouse. They cost \$5.00 each and we have 1,500 in use at the present time. Domestic, such as towels and blankets are also shipped in tubs. These tubs are twice as large and cost \$17.00. We have 1,500 in use. In shipments to the stores from the deli warehouse, we again begin with the basic pallet. Items such as canned hams are shipped on the pallet without any container other than their original cases. The majority of deli merchandise is shipped in a wire bin. This bin measures 31" high and is attached to the pallet. These bins cost \$30.00 and contain two gates, one on each side of the bin. These gates can be lifted and folded down to facilitate the removal of the product from the bin by store personnel.

The produce warehouse ships the majority of its products on pallets. The only exceptions would be melons. Melons are shipped in the same wire bins that are used for deli merchandise. Our meat plant processes sides of beef primarily into primal cuts. It also processes pork and chickens. All of this product is shipped to the stores on pallets. The product is placed in wire baskets measuring 20" X 24". These come in two heights, 7½" or 11½" depending on the product. The cost of these baskets is \$20.00. They can be placed on a pallet, four to a layer and stacked as many as eight high. These containers when empty, will also nest together for return to the meat plant. We have 5,000 of these baskets in use at the present time.

Product from the dairy plant is also shipped to the stores on pallets. When we were developing the dairy plant, it was decided that the product would be shipped on the normal sized pallet. We decided this was the proper way to go in order to eliminate the need for a different sized pallet which would cause additional expense in sorting the pallets. The first delivery showed us that an error was made in this

decision. A great deal of milk and milk products was lost before we obtained a different pallet for the dairy operation. This pallet measures 40" X 40" and is constructed with a solid top. These pallets cost \$6.50 as compared to \$5.50 for the regular pallet. This size pallet will accommodate nine cases of milk to a layer and they can be stacked six high. We use 90,000 milk cases in our operation.

As you can see, we move a gigantic amount of product on pallets. It, therefore, becomes imperative that our retail stores are designed and built with the pallet program in mind. With very few exceptions, and these exceptions would be some of our very old stores and a few stores which were acquired from other companies, all our stores are designed to receive product on pallets.

We have two different methods of receiving at our stores. The first method is the use of a receiving dock or truck pit. This allows the trailer of merchandise to be backed into the dock or pit so that the floor of the trailer is level with the dock. The trailer can then be unloaded with simple pallet jacks and the product transported to the warehouse of the store or directly onto the sales floor. In this type of operation, it is not necessary to have a fork lift at the store thereby reducing the capital outlay at the store by \$10,000. This savings is offset by the additional cost of building a truck pit.

The second method of unloading at our stores is with the use of a fork lift. Under this method, a fork lift removes the product from the trailer and places the pallet on the ground. The pallet can then be transported into the store with a pallet jack. This method requires the use of two men to unload the truck. One man must remain in the trailer to bring pallets to the edge of the trailer. At this point, the fork lift operator takes over and places the pallet on the ground.

A truck pit will allow the unloading of a truck with only one man if need be. There is somewhat of a controversy within the industry and within our own company as to which of these methods is the best to use in order to minimize the costs of unloading

trucks and to maximize the speed of unloading. I, personally feel that the truck pit or dock operation is the fastest and most economical. The majority of our stores use the fork lift method of unloading. There must be a message there.

The high cost of real estate is the prime consideration here. The truck pit operation requires acreage over and above that of fork lift method. Another consideration again involves the cost of real estate. Because of this cost, our warehouses are small in comparison to the volume of most of our stores. Because of this delightful problem of doing high volume, we cannot store pallets on a single level in most of our stores. In order to keep adequate quantities of merchandise on hand, it becomes necessary to stack pallets two and three high. In order to stack pallets, it becomes necessary for each store to have a fork lift. This requires an investment of \$10,000 and makes the installation of a truck pit uneconomical.

All of the warehouses in our stores are designed to accomodate the receiving and storage of merchandise on pallets. All doors to all rooms within the storage area, such as the produce preparation room and security storage area, are designed and built so as to be wide enough to handle pallets. Each store has at least one door leading from the warehouse to the sales floor that will accomodate pallets. Our stores are built with wide aisles primarily with the customer in mind but also so that merchandise on pallets can be transported onto the sales floor on pallets.

In order for the stores to handle the pallets of merchandise shipped to them from our warehouse, each store has a standard amount of equipment to move this product. The normal store, without a truck pit, will have a battery powered fork lift, three pallet jacks for the grocery-non-foods operation and one pallet jack for use in the meat department. The larger volume stores, and particularly the Gemco food departments, will also have an electric transporter or more simply a battery powered pallet jack. This piece of equipment is particularly useful in moving heavy pallets containing, for example, large quantities

of can goods. It is used primarily in the warehouse only. Most stores do not allow the electric transporter or any other type of power equipment on the sales floor because of the high incidence of damage to the fixtures on the sales floor.

As stated before, we have approximately 100,000 pallets in use in the southern region at the present. The majority of these are hard wood and the soft wood pallets are in the process of being phased out. This is because of the large number of suppliers with which we do business on a pallet exchange program who will not accept soft wood pallets.

We estimate that with each new store opened, it requires 850 pallets. The life of the hard wood pallet is estimated to be three times that of the soft wood pallet.

It requires two full time men in the warehouse repairing broken pallets. The normal wear and tear and the rather extensive black market in pallets makes it a rather expensive proposition, but a very necessary evil. Quite a few suppliers are beginning to use a slip sheet instead of a wooden pallet for shipments into our warehouse. This is nothing more than the substitution of a sheet of cardboard, at a cost of \$.50, for a pallet, at a cost of \$5.50. A special fork lift simply clamps onto the cardboard and drags the product and the cardboard off of the railcar. This method of moving merchandise seems to be the coming idea at the warehouse level but does not seem to be practical for shipments to a retail outlet.

In summary then, our pallet program is complete from supplier to the retail store. Merchandise is delivered to our warehouse on pallets. Our trucks are loaded on pallets. The merchandise is unloaded at the retail store on pallets. The merchandise is moved exclusively on pallets until it is placed on the sales floor in the aisle in which it is to be stocked.

As far as future innovations in the movement of merchandise is concerned, nothing looks particularly workable at the present time. We are at the present time, experimenting with carts on wheels in the mid-West in the Eagle stores. I have no results or

comments at the present time. Similar carts were tested in our region with mostly negative results.

The carts tested were the same dimensions as the standard pallet 48" X 40" and six feet high. The largest objection to these carts is the fact that they cannot be stacked more than one high whereas with pallets you can go three high if necessary. A pallet is open on all four sides and the product is easy to remove. The carts only have one opening which makes the stocking procedure more difficult. These carts are difficult to break down when empty for return to the warehouse. These carts would

be of value to a store with a limited amount of volume and a good sized backroom or warehouse.

There are many ideas in the testing stages for more rapid and efficient movement of product through a central warehouse. The day is not too distant when we will see completely automatic warehouses controlled by a computer with product never being touched by human hands. It will be a long time, however, before the simple wooden pallet is replaced as the most efficient method of receiving and handling product at the retail store.
