



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

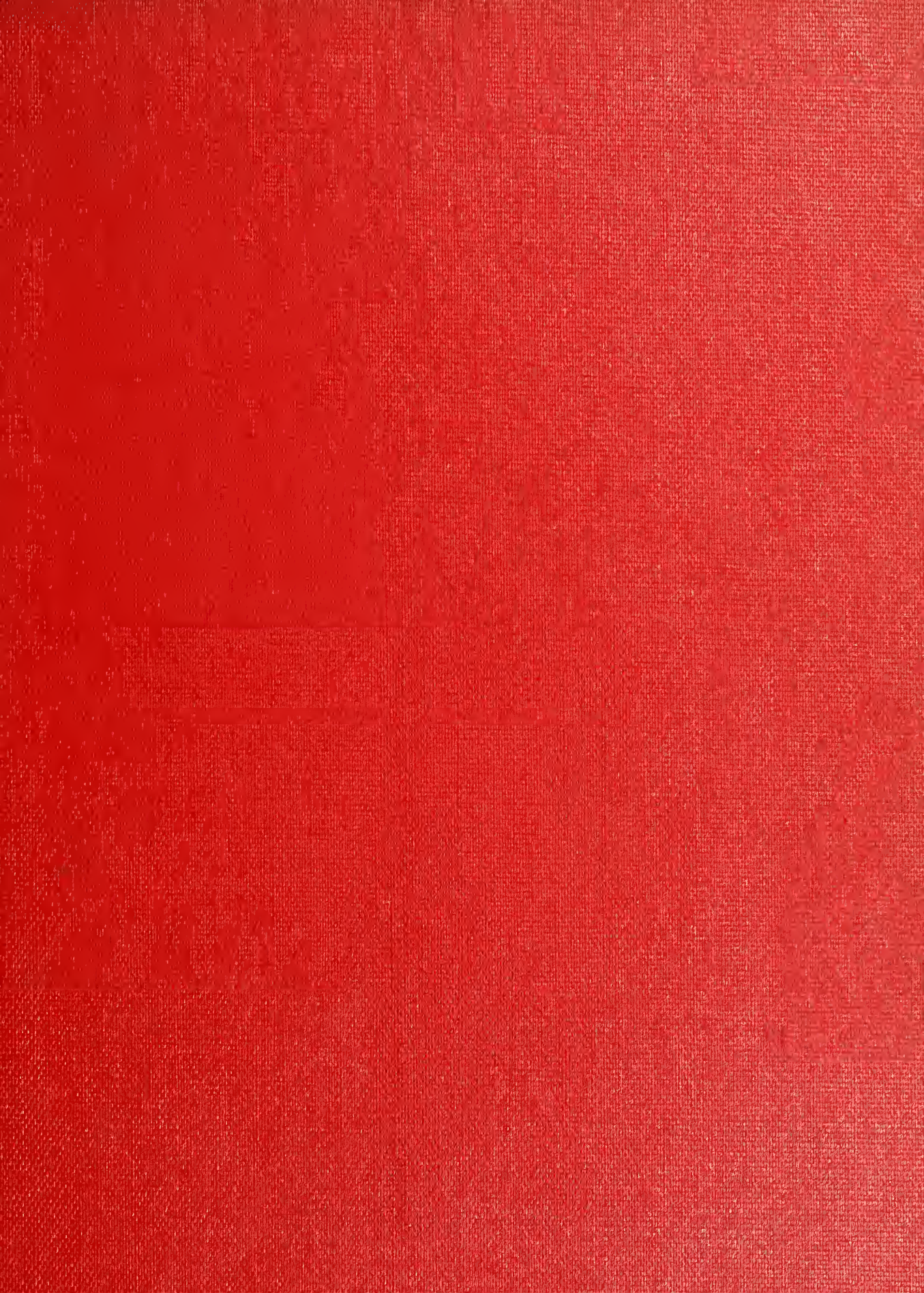
AgEcon Search

<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.*

No endorsement of AgEcon Search or its fundraising activities by the author(s) of the following work or their employer(s) is intended or implied.



Historic, archived document

Do not assume content reflects current scientific knowledge, policies, or practices.



784mr
o.12

HOW SOME WHOLESALE GROCERS BUILD BETTER RETAILERS



UNITED STATES DEPARTMENT OF AGRICULTURE
PRODUCTION AND MARKETING ADMINISTRATION
in cooperation with
NATIONAL-AMERICAN WHOLESALE GROCERS' ASSOCIATION

Washington, D.C.
May 1952

Marketing Research Report No.12



PREFACE

This is the second of a number of reports to be issued under a research project covering wholesaler-retailer relations. The objective of this project is to find ways to hold down the costs of distributing food through this part of the marketing channel.

Preparation of this report was made possible by the cooperation and assistance of officials of wholesale grocery firms who furnished detailed case material of their company's operations, as well as officials of the U. S. Department of Agriculture.

Special credit is due Rudolph L. Treuenfels, Marketing Counsel, and Ralph B. Johnson, Secretary of the National-American Wholesale Grocers' Association for their assistance in the planning and guidance of the study as well as for their cooperation in working with the trade.

The accounting forms under the heading, "Accounting by the Retailer" were incorporated into the report by courtesy of Clover Farm Stores Corporation, Cleveland, Ohio. The forms under the heading, "Accounting in Cooperation with the Wholesaler" were made a part of the report by courtesy of E. R. Godfrey and Sons Company, Milwaukee, Wis.

F. M. Bernfield and Otto Rauchschalbe, formerly of the Marketing and Facilities Research Branch, Production and Marketing Administration, made several of the case studies.

- - -oOo- - -

The study on which this report is based was made under authority of the Agricultural Marketing Act of 1946 (FMA Title II).

CONTENTS

| | <u>Page</u> |
|--|-------------|
| Summary | iii |
| Introduction | 1 |
| Services performed and their relationship to the wholesaler's operating costs | 2 |
| Basic services | 5 |
| Informational Aids | 5 |
| Sales promotional and advertising help made available to retailers | 9 |
| Store engineering | 13 |
| Store management guidance | 18 |
| Special services | 22 |
| Accounting service | 22 |
| Financial aid | 34 |
| Real estate service | 35 |
| Insurance service | 37 |
| Employment service | 38 |
| Retail training program | 39 |
| Some operating procedures | 43 |
| Contact procedure | 43 |
| Pricing procedures | 45 |
| Brand policy | 48 |
| Perishable food operations | 49 |

SUMMARY

This report sets forth some of the services rendered retailers by successful wholesalers for their mutual benefit. Wholesalers and retailers of groceries recognize that a considerable part of their success depends on each other. The study on which this report is based was made to determine some of the methods which successful wholesalers are using in helping retailers to sell more groceries at lower costs, and to determine the areas and evaluate the need for additional research that will show wholesalers and retailers how they can, by working together, hold down the costs of food distribution. Case studies were made of selected wholesalers, who had annual sales volumes ranging from 5 million to 50 million dollars, and who employed apparently successful methods.

The wholesalers studied performed more than the usual number of services for their retailers. Available evidence indicated that the operating costs of firms offering a number of services to retailers are not necessarily higher, and the costs may be lower, than those of firms which offer few services.

The services most frequently performed by wholesalers for their retail customers include the furnishing of informational aids, promotional aids, store-engineering assistance, and store-management guidance. All the wholesalers whose operations were studied furnished informational aids to help the retailer in determining proper pricing of his merchandise and in deciding on improvements desirable for the betterment of the retailer's business. The media used in relaying such information to the retailers were order books, salesmen, supervisors, invoices, and bulletins.

Promotional aids were used by all the wholesalers. Handbills, newspapers, and radio were the media most frequently used for building up a customer's desire for items before she visits the retail store. The media used usually were determined by the location and type and number of potential consumers to be reached. Such point-of-sale material as window banners, posters, and display cards made available by manufacturers usually were evaluated by the wholesaler's buyers before such material was ordered or accepted. Often only those pieces which fitted into the wholesaler's programs and policies were distributed.

About three-fourths of the wholesalers studied maintained a store engineering service for their retail outlets to aid in modernizing stores and improving their layout. The reasons given for maintaining this service were, as follows: (1) New and remodeled stores help to increase retail sales; (2) the engineering service often can be performed most economically and effectively by the wholesaler; and (3) such service gives the wholesaler an opportunity to gain the loyalty of the retailer.

Most of the wholesale organizations furnished store management guidance whereby the retailers are informed on good housekeeping methods, sound public relations, other facts on desirable store policies, and expansion possibilities.

Other types of services offered by the wholesalers were services which generally have been performed by the retailer, by agencies other than wholesalers, or not at all. A few wholesalers believed there is need for the performance of some of these services for their retail outlets in a more economical and/or efficient manner than they are now being performed. In return the wholesalers could expect to make better and more loyal customers of the retailers served.

Among the services of this type being offered by the wholesalers were:

- (1) Accounting assistance. Some wholesalers helped retailers to organize and keep their accounts by furnishing them suggested account forms along with a manual explaining how to use them. Others arranged to do most of the accounting for the retailer, depending on the retailer to supply the basic records.
- (2) Financial aid. Several wholesalers helped their retailers to obtain credit.
- (3) Real estate advice. This service consisted of informing retailers of stores for rent or sale and of good potential locations.
- (4) Insurance service. A few wholesalers have begun to assume the responsibility for advising their retailers on their insurance needs and to take care of some of the details connected with carrying the insurance.
- (5) Employment service. One wholesaler has set up a central file for use in helping his customers to find employees.
- (6) Retail training. Most wholesalers have assumed some responsibility for training their retailers through group meetings, visits by salesmen and supervisors, and by furnishing bulletins.

Since most of these special services were being performed by only a few of the wholesalers studied, and these often on a restricted scale, there was little basis for evaluating the services. Wholesalers who performed such services believed that they obtained some worth-while advantages from doing so, and most of them were planning on expanding their activities along these lines. Further study would be required to determine the values received from these services and the best ways of performing them.

Operating procedures, as they affected selling policies, differed considerably among the wholesalers studied. Wholesalers contacted their customers by means of salesmen, supervisors, and/or "preprinted" order books. Several wholesalers made a distinction between selling and order taking. To perform the order-taking function, some wholesalers were dependent almost entirely on the distribution of a preprinted order form on which retailers could indicate their requirements before the order was picked up by the salesman. By freeing the wholesaler's salesmen and supervisors of the time-consuming order-taking function, these employees were able to devote more time to aiding the retailer with his store-operating and merchandising problems, selling additional merchandise, and developing new accounts.

The pricing procedures followed by the wholesalers reflected their individual concepts of how to handle differences in cost of servicing individual retailers. All the wholesalers felt that differences in costs are caused by such factors as distance, size of order, and extension of credit. Only one wholesaler used the cost-plus system to reflect a

maximum number of differences in costs, whereas one-half of the wholesalers used the delivered price system. Between these two extremes were the f.o.b. warehouse price plus specified delivery charges and the cash-and-carry systems. Several types and combinations of these systems were commonly found in operation in the same wholesale grocery organization. The wholesalers appeared to be less in agreement on the proper pricing system than on all other procedures. Although there has been considerable experience with the different systems, there has not yet been sufficient study of the subject to determine which is best to follow.

Although both private brands and nationally advertised brands were handled by the wholesalers, the type of consumers in a trading area, the length of time the wholesaler had been in business within that area, and the brand policy of his competitors, all influenced the brand policy of a particular wholesaler.

Most of the wholesalers have added or are considering the addition of frozen foods, produce, and/or meat lines to their present wholesale operations. The reasons given for handling these perishable lines were: (1) To increase the size of the retailer's order, and thereby increase the profitability of the account; (2) to offer the retailer a more complete line of merchandise and thereby remove the necessity of his ordering from other wholesalers; and (3) to add to their over-all gross since some of the items carry a favorable margin. The principal reasons for not handling the perishable items were: (1) Inadequate funds and facilities; and (2) lack of qualified personnel.

The wholesalers attributed much of their success to the practices described in this report. Other wholesalers may be able to improve their operations by adopting some of these practices.



HOW SOME WHOLESALE GROCERS BUILD BETTER RETAILERS

By John H. Davenport, marketing specialist
and R. W. Hoecker, agricultural economist
Marketing and Facilities Research Branch
Production and Marketing Administration

INTRODUCTION

Many wholesale grocers are successfully combating rising costs of distribution through a program of streamlining operation and particularly through close coordination of their wholesaling functions with the requirements of retailers they serve. Some wholesalers have obtained close collaboration through the use of formal agreements with their retail customers and other wholesalers have accomplished the same objective without formal agreements. However, common to all the wholesalers who have successfully endeavored to strengthen their competitive position is their attitude and policy of "thinking retail." The wholesalers realize that their ability to operate profitably depends largely on the ability of the retailer customers to sell effectively their goods to consumers.

The wholesale grocery business has grown from a sales volume of \$1,953,762,000 in 1935 to \$5,799,121,000 in 1948, or an increase of 297 percent. ^{1/} During the same period the number of wholesale grocers has increased from 3,833 to 4,265 or an increase of only 11 percent. Average sales per wholesale establishment increased from \$509,720 in 1935 to \$1,359,700 in 1948. This increase reflects larger average orders and a substantial increase in food costs.

"Thinking retail" is more than a statement of policy for many of the successful wholesalers. It is reflected in the performance of all phases of their operating functions--administrative, as well as selling, costs may be reduced when retailers are persuaded to do their own ordering instead of requiring the services of an order-taking salesman; warehousing and delivery costs may be reduced when retailers are persuaded to arrange their purchases for fewer but, in each instance, larger loads.

Close coordination of the retailing and wholesaling functions requires teamwork. Retailers as well as wholesalers must recognize teamwork as being a joint responsibility in which both must actively cooperate. The rewards of good teamwork are lower operating costs for the wholesaler, lower costs of supplies, and larger volumes of sales for the cooperating retailers.

One objective of this study was to describe current methods followed by some successful grocery wholesalers in helping food retailers sell more food at lower costs--thus holding down the cost to consumers as well as creating wider markets at better prices for producers. A second objective

^{1/} Census of Business, 1935 and 1948. U. S. Dept. of Commerce.

was to determine the areas and evaluate the need for additional research in helping to translate wholesaler-retailer teamwork into low-cost food distribution. How some wholesalers reached this goal and how they arrived at building better retailers through more effective operations of the major departments, except that of handling and delivering of orders, are analyzed in this report. Because of the complexities of the delivery problem a separate study was made to determine the better practices of handling and delivering orders.

Information obtained by questionnaires in a study made by the Committee on Modern Food Distribution indicated that some wholesale grocers in the country are doing exceptional jobs in building better retailers. ^{2/} Some of these wholesalers were selected to cooperate in making case studies of the apparently successful methods used. Operations of the wholesalers differed considerably, and their annual sales volumes ranged from 5 million to 50 million dollars. Scattered over a number of States in the East, the Midwest, and the far West, the studies comprised wholesalers with their retailers organized into voluntary chains as well as wholesalers with no formal organization of their retailers. Some wholesalers emphasized the handling of numerous items under their own controlled brands, and others gave greater emphasis to nationally advertised brands than to goods sold under their own private brands. Data were gathered principally by means of visits to the establishments of these wholesalers. Although the methods discussed herein are those used by some highly successful wholesalers, these methods may not necessarily be the best that could be developed or the ones that should be used by all wholesalers. Wholesale grocers have to meet many special circumstances. Different situations call for a variety of solutions. This report furnishes ideas, it shows answers found by some wholesalers, but it does not aim at a complete or final solution.

Since the purpose of this study was largely exploratory, the results are necessarily of a tentative nature. Further study of methods is under way for the purpose of additional analysis and evaluation of present practices as an aid to the development of more effective practices.

SERVICES PERFORMED AND THEIR RELATIONSHIP TO THE WHOLESALER'S OPERATING COSTS

The wholesalers in this study performed more than the usual number of services for their retailers. Table 1 shows that all the wholesalers offered some informational and promotional aids. Most of them offered some type of store engineering service and retail training. The other services were offered by a small number of wholesalers.

^{2/} Gore, Grant. The New Concept in Wholesaler-Retailer Teamwork. The Committee on Modern Food Distribution 1951.

Table 1.--Relationship of services and selected operating policies to cost ratios for 9 selected wholesalers in the wholesaler-retailer study, 1952

(x = services offered)

| Service and operating policy | Wholesaler | | | | | | | | |
|---|------------|---|---|---|---|---|---|---|---|
| | A | B | C | D | E | F | G | H | I |
| BASIC SERVICES | | | | | | | | | |
| Informational aids: | | | | | | | | | |
| Competitive retail prices..... | | | x | | x | x | x | x | x |
| Suggested selling prices..... | x | | x | x | x | | x | x | x |
| Others 1/..... | | x | x | x | x | x | x | x | x |
| Promotional aids: | | | | | | | | | |
| Window banners..... | x | x | x | | x | x | x | x | x |
| Posters..... | | x | x | x | x | x | x | x | x |
| Display cards..... | x | x | x | x | x | x | x | x | x |
| Premium coupons..... | | | | | x | | | | |
| Hand bills..... | | x | x | | x | x | x | x | x |
| Newspaper articles..... | x | x | x | x | x | x | x | x | x |
| Radio..... | | | x | x | x | | x | x | x |
| Television..... | | | | | | | | | x |
| Store engineering service..... | | x | x | x | x | x | x | x | |
| SPECIAL SERVICES | | | | | | | | | |
| Accounting servicing..... | | x | x | x | | | | | |
| Financial aids..... | | | x | x | x | | | | |
| Real estate service..... | | | x | | | | | | |
| Insurance service..... | | x | x | | | | | | |
| Employment service..... | | x | x | | | | | | |
| Retail training program..... | | x | x | x | x | x | x | x | x |
| OPERATING PROCEDURES | | | | | | | | | |
| Contact procedure: | | | | | | | | | |
| Order forms..... | | x | x | x | x | x | x | x | x |
| Salesmen..... | x | x | x | x | x | | x | | x |
| Pricing procedure: | | | | | | | | | |
| Cost-plus..... | | | | x | | | | | |
| F.O.B. warehouse price with specified delivery charges..... | x | | x | x | | x | | | |
| Cash-and-carry (from special pick-up spots)..... | | | | x | x | x | x | | |
| Delivered prices..... | x | | | | x | | x | x | x |
| Brand policy on canned fruits and vegetables: 2/ | | | | | | | | | |
| Private brands..... | x | x | x | x | x | x | x | x | x |
| Nationally advertised brands..... | | | | x | | x | x | | |

See footnotes at end of table.

Continued -

Table 1.--Relationship of services and selected operating policies to cost ratios for 9 selected wholesalers in the wholesaler-retailer study, 1952--Continued

| Service and operating policy | Wholesaler | | | | | | | | |
|----------------------------------|------------|------|------|------|------|------|------|------|------|
| | A | B | C | D | E | F | G | H | I |
| Merchandise handled: | | | | | | | | | |
| Dry groceries..... | x | x | x | x | x | x | x | x | x |
| Produce..... | | x | x | x | x | | x | | |
| Fresh meats..... | | | | x | | | | | |
| Frozen foods..... | | | x | x | x | x | x | | |
| Operating cost ratios: <u>3/</u> | Pct. | Pct. | Pct. | Pct. | Pct. | Pct. | Pct. | Pct. | Pct. |
| Administrative..... | 3.50 | 2.23 | 2.10 | 1.90 | 1.73 | 1.64 | 2.10 | 3.09 | |
| Selling..... | 4.50 | 1.60 | 1.10 | 1.54 | 0.17 | 2.29 | 1.70 | 1.91 | |
| Warehousing..... | 1.50 | 2.70 | 3.00 | 2.19 | 1.09 | 0.93 | 1.67 | 3.47 | |
| Delivery..... | 1.50 | 1.53 | 1.00 | 1.46 | 1.00 | 1.57 | 1.42 | | |
| Total..... | 11.00 | 8.06 | 7.20 | 7.09 | 3.99 | 6.43 | 6.89 | 8.47 | |

- 1/ Includes such information as important developments in merchandising.
- 2/ Does not include all other canned goods or staples.
- 3/ Based on net sales, established as 100 percent.
- 4/ Includes warehousing and delivery.

The primary reasons for the performance of these services by the wholesalers are to gain the loyalty and cooperation of their retail customers and to expand the sales of these retailers. In return the wholesalers expect to be able to reduce their own costs by selling the retailers larger weekly orders and by taking advantage of short cuts in the handling and delivery of orders.

The nature of the data obtained is such that no clear-out relationship can be established between the number of services offered and the operating cost ratios but there does appear to be sufficient evidence to show that the operating costs of wholesalers offering a number of services are not necessarily higher, and may be lower, than those of wholesalers not offering so many services. Table 1 shows that wholesaler A offers the smallest number of services to his retailers, uses only salesmen to contact his customers, and has the highest operating cost ratio of 11 percent. On the other hand, wholesaler F has the smallest operating-cost ratio, about 4 percent, offers his retailers a relatively large number of services, and uses only order books to contact his customers.

The charges made by the wholesalers for furnishing these services varied--some wholesalers charge the retailer a monthly fee based on his

sales volume and others based their charges on a fixed amount per service. The most common method was a combination of these two bases.

BASIC SERVICES

Those services most generally performed by wholesalers for their retail customers are referred to in this report as basic services. Experience has shown that these services nearly always can be performed by wholesalers more effectively and at lower costs than the retailer could perform them. Such services, which include informational and promotional aids, store engineering, and store-management guidance, are not, however, necessarily performed with the same degree of thoroughness or in the same manner by all wholesale grocers.

Informational Aids

Informational aids, as referred to in this report, are used to help the retailer in determining proper pricing of his merchandise in his trading area and in deciding on improvements desirable for his business. Most of the wholesalers cooperating in this study furnished retailers informational aids of some kind. This information was relayed to the retailers through bulletins or news letters, through order books, through an invoice with suggested prices, and through advice disseminated by salesmen or supervisors. (See fig. 1.)

Competitive Retail Prices

It was observed during the study, that most of the wholesalers stressed the importance of furnishing their customers with competitive retail prices. It was their contention that this service had to be performed before the retailer could successfully compete with other retailers within his trading area. The wholesaler could gather competitive prices for all his customers more economically than could the individual retailer. The two most commonly used sources of information were: (1) Having typical low-cost retailers, particularly supermarkets, shopped once or twice a week; and (2) observing all competitive advertising. The second method was reported to be less effective than the first method since the items advertised in a newspaper are not truly representative of all the items in a grocery store, but are generally specials.

Many wholesalers are either using or considering the use of the order book and invoice as media for relaying competitive and suggested resale prices to their customers. These media are believed to be advantageous since they usually contain the competitor's prices as well as those of the wholesalers. Then, the retailer can arrive at the margin he will have to work on if his policy is to meet competitive prices. Such a service is beneficial to the retailer in that it removes the necessity for comparison shopping. Also, if followed, the retailer's prices will not be too far off those of the large supermarkets within his trading area.

| NUMBER : | CODE : | UNIT : | ITEM : | SUGGESTED : | COMPETI- | WHOLE- |
|-----------|----------|-----------|-------------------------|-------------|----------|---------|
| UNITS : | NUMBER : | AND : | ITEM : | RETAIL : | TIVE : | SALE : |
| DESIRED : | NUMBER : | WEIGHT : | ITEM : | PRICE : | PRICE : | PRICE : |
| : | : | : | : | : | : | : |
| : | 2000 : | 24 1 LB : | CELLO CRANBERRY BEANS : | 17 : | 17 : | 285 : |
| : | 2110 : | 12 2 LB : | GREAT NORTHERN BEANS : | 18 : | 18 : | 290 : |
| : | 2112 : | 24 1 LB : | CELLO BABY LIMA BEANS : | 18 : | 18 : | 290 : |
| : | 2114 : | 24 2 LB : | SEASIDE LIMA BEANS : | 39 : | 40 : | 765 : |

Order Book

March 15, 1952:

BULLETIN

Competitive Retail Prices

- Cello cranberry beans (24-1 lb.) - 17¢
- Great Northern beans (12-2 lbs.) - 18¢
- Cello baby lima beans (24-1 lb.) - 18¢
- Seaside lima beans (24-2 lbs.) - 40¢

Canners are finding it extremely hard to secure as much acreage as they want for planting sweet corn. This is expected to reflect an increase over the average price paid last year.

A new check-out operation for retail stores has been developed by the U. S. Department of Agriculture which will increase the output of orders per man-hour, in some cases, as high as 50 percent.



Bulletins

Salesman or Supervisor

JOHN DOE GROCERY COMPANY
Plainfield, U.S.A.

TO: Smith Supermarket
STREET: 11 "X" Street
TOWN: Plainfield, U.S.A.

DATE: March 15, 1952
SALESMAN: Smith

| CODE : | QUAN- | UNIT : | DESCRIPTION : | SUGGESTED : | COMPETI- | WHOLE- | TOTAL : |
|--------|----------|---------------|-------------------------|-------------|----------|---------|---------|
| : | TITY : | AND : | DESCRIPTION : | RETAIL : | TIVE : | SALE : | TOTAL : |
| : | WEIGHT : | WEIGHT : | DESCRIPTION : | PRICE : | PRICE : | PRICE : | TOTAL : |
| : | : | : | : | : | : | : | : |
| : | 2000 : | 1 : 24 1 LB : | CELLO CRANBERRY BEANS : | 17 : | 17 : | 285 : | 285 : |
| : | 2110 : | 1 : 12 2 LB : | GREAT NORTHERN BEANS : | 18 : | 18 : | 290 : | 290 : |
| : | 2112 : | 2 : 24 1 LB : | CELLO BABY LIMA BEANS : | 18 : | 18 : | 290 : | 580 : |

Figure 1.--Some types of informational aids used by wholesale grocers.

A disadvantage arising in the use of these forms of informational aids is that the retailers receive their order books and invoices on an average of once a week and, for this reason, their retail price changes might tend to lag several days behind those of their competitors.

Suggested Selling Prices

Suggested selling prices are supplied by many wholesalers-- especially those carrying their own private brands. These prices are not compulsory but are suggested by the wholesaler for the purpose of helping the retailer decide on the prices he should charge. When computing these prices, the wholesaler takes many factors into consideration. He considers not only the competitors' prices and the market trends but also the overall margin both he and the retailer have to work on in order to stay in a good financial condition. These wholesalers also take into consideration many other individual adjustments in addition to the factors mentioned above. Low-cost wholesalers had the least difficulty in satisfactorily performing the function of furnishing suggested selling prices.

It was reported that, although many retailers did not put these prices into effect, they used the recommendations as a guide in establishing their "appropriate" retail prices. The use of suggested selling prices becomes more important where joint advertising schemes are made available to participating retailers by their wholesale grocers. Those retailers who wish to take advantage of such schemes will necessarily adhere to the "as advertised" price suggestions.

Other Informational Aids

Weekly circulars and bulletins are used by some wholesalers to inform their customers on merchandising ideas and on all kinds of important developments in the grocery field. This information might be presented as a condensed version or digest of an article appearing in a trade journal or paper which, for instance, suggested new and better ways of displaying merchandise, or details of time-saving equipment released to the trade. In addition, since it is impossible in some cases for the salesman or supervisors to visit all stores within a given period, such media are used to supplement verbal information given on these visits.

An example of a weekly bulletin sent by one wholesaler to his retail customers, organized in a voluntary group, is constructed along the following lines:

Title page: The retailers are reminded of a purchasing or sales quota which they are to make in order to win a free trip to a large city. Certain phrases as "Let's go partner!!!" and "It's city 'X' on Sunday July 12--you just can't miss!!!" are used to stimulate the interest of the retailers.

Page 1: The "Special Of The Week" is listed and a short resumé is given, showing the retailer why he should make some effort to promote this item.

Page 2: Names of retailers who are to attend an annual meeting of a grocery association are listed. Others are asked to submit their names if they are interested. Such language as "Do you want to join the party? Just a few days left to make up your minds. Come on along!!!" is used to stimulate the retailers.

Page 3: The winners of a display contest are listed. In addition, the retailers are told why such contests are initiated.

Page 4: Posters that are to be used the following week are listed giving the retailer such information as products to be promoted, the size of the items, and their special prices.

Page 5: The wholesaler explains to the retailer why remodeling is important.

Page 6: The retailer is reminded of a coffee set he can display which will increase his sales on the controlled coffee brand and at the same time make a profit on the coffee set.

Page 7: Information on new packs is given and the price which these items will cost. In addition, a classified section appears which advertises store equipment that members of the voluntary group wish to buy.

Page 8: This page informs the retailers on ways of caring for their produce.

Page 9: Here appears an application for participation in a Fresh Fruit and Vegetable Retailing Training Course.

Pages 10-13: Included in this section is information of general interest regarding various items, such as good buys, future soap coupon program, special display dividends, and a list of items that carry promotional allowances.

Page 14: The retailer is informed on point-of-sales material he will receive.

Page 15: Description of store display material for the organization's "Silver Jubilee Jamboree" is described.

Page 16: Again general information on various items, such as market trends and good buys, is relayed to the retailer.

Pages 17-18: These pages are devoted to current events in foods.

The retailer is told why proper pricing is necessary, and how one retailer attracted the public's attention by offering such items as ostrich eggs for sale.

Page 19: Here is a list of new stores which are either under construction or have just been completed.

Page 20: The last page is devoted to personal news. Such events as engagements and births, trips taken by the retailers, sicknesses and recoveries are reported.

This example of a bulletin is longer than would prove practical for most wholesalers. A more effective job probably can be done with three six-page bulletins than with one 20-page bulletin. Some wholesalers have combined this type of information with their weekly order books by devoting the front and back pages or middle pages of the book to this general type of information. How effective this type of wholesaler service is to the retailer remains to be ascertained by further research.

Sales Promotional and Advertising Help Made Available to Retailers

Promotional aids are devices used at the point of sale by wholesalers and retailers to decrease buying resistance of the consumer. All wholesalers visited were of the opinion that these aids had a distinct place in good merchandising programs. They are used by the wholesalers for two purposes: (1) To expand the retail sales of their customers in general; and (2) to expand their own brand sales or the sale of a particular item.

When aids of special kinds are used at one time, every effort should be made to coordinate their messages. Thus, when applesauce is featured as a special in a newspaper advertisement, this same item should appear as a special on any other media used. (See fig. 2)

The financing of these sales building programs varied among the wholesalers. Some wholesalers charge their retailers a monthly fee, whereas others charge a set amount for each aid they supply to the retailer. Some wholesalers offer a promotional and/or consumer advertising service free of charge.

Point-of-Sale Promotional Aids

Distinct advantages were cited in the use of point-of-sale promotional aids. First, they create a desire for various products when the consumer is actually in the process of shopping. Second, since it is very easy for a homemaker to have a desire for a particular product and yet forget about it before the purchase can be made, these aids will remind her of it when shopping at the store. "Impulse buying" is also stimulated, which is an increasingly important factor in this "self-service" age. On the other

The Daily News

SUPERMARKET STORES

"WHERE VALUE COUNTS"

| | |
|-----------------------|--------------|
| Brand "X" Tomatoes | 2 for 25¢ |
| Brand "Y" Peas | 2 for 31¢ |
| Brand "C" Applesauce | 3 for 31¢ |
| Brand "E" Coffee | 83¢lb. |
| Center Cut Pork Chops | 45¢lb. |
| Lettuce | 10¢lb. |
| Peaches | 3lb. for 25¢ |

NEWSPAPER

SMITH'S SUPERMARKET

2100 Market Ave., North

→ "WHERE VALUE COUNTS" ←

| | |
|-----------------------|--------------|
| Brand "X" Tomatoes | 2 for 25¢ |
| Brand "Y" Peas | 2 for 31¢ |
| Brand "C" Applesauce | 3 for 31¢ |
| Brand "E" Coffee | 83¢lb. |
| Center Cut Pork Chops | 45¢lb. |
| Lettuce | 10¢lb. |
| Peaches | 3lb. for 25¢ |

HANDBILL

BRAND "C"
APPLESAUCE
3 FOR 31¢

RADIO

BRAND "C"
APPLESAUCE
3 for 31¢

DISPLAY CARD

APPLE SAUCE

brand "C"

3 for 31¢

POSTER

Figure 2.--Examples of promotional and advertising media used by food wholesalers.

hand, some retailers object to all point-of-sale material on the basis that it creates a disordered appearance in their stores and it is not effective in selling merchandise. They believe that such an appearance loses them more over-all sales than is gained by the display material.

Promotional aids were distributed weekly by most of the wholesalers for both the nationally advertised and the private brands. Since it is not always practical to distribute all aids obtainable from the national manufacturers, it is the policy of many wholesalers to have their buyers evaluate the material before ordering or accepting it and to distribute only those aids which fit into their programs and policies. The evaluation is based on the size of the aid, the eye appeal it has, whether it ties in with other material used, and whether in the judgment of the buyer it will carry real selling impact.

A considerable quantity of promotional aids made available to retailers is wasted through not being used, being misused, or the material being ineffective. Neither the place for point-of-sale material in retail stores nor the most effective kinds has been adequately evaluated. Further research on these problems appears to be needed.

Window display material was furnished by all the wholesalers visited. One of them remarked that its greatest value lay in the fact that it attracted potential customers into a store who had not received hand bills, read newspaper advertisements, or heard radio announcements of bargain sales. It also reminds the customers of products they may not have thought of. It is the opinion of wholesalers that so-called window-streamers are valuable to the retailer only if they are attractively and forcefully designed. If the window displays or streamers are not arresting, then both valuable window space and production costs are wasted.

Posters and display cards were used by wholesalers, in many instances, to tie products on the shelves to newspaper, radio, television, or hand-bill advertisements. In other words, such aids were used primarily as a reminder to homemakers of the products that she had seen or heard advertised before entering the store. The other use of posters and display cards is to build up a desire in the mind of the customer for a certain product while in the store. This material should be placed in conspicuous places. An important point to remember is the necessity of correlating the messages on poster and display cards with those presented on all the other advertising media used. If this is not done, the potential effectiveness of an integrated sales pushing program may be lost.

The use of too many posters and displays for numerous items may create an impression of confusion and untidiness in the mind of the shopper. Concentration on a limited list at one time is preferred. A few well-placed displays are generally believed to prove more striking in attracting a customer's attention.

Premium coupons were used by one wholesaler to promote his private brand and other wholesalers used this scheme to promote the nationally advertised brands. It was felt that this type of promotional device must offer the consumer an incentive of some tangible value. The coupons will work best if they are attached to articles that are consumed quickly and steadily; if it takes a housewife too long to save enough coupons to obtain a desired premium, she probably will become discouraged and lose interest.

Help Given Retailer through Advertising
Directed to the Consumer's Home

Handbills, newspapers, and radio are the media most often used by the wholesalers cooperating in this study for building up a consumer's desire for an item or items before she visits the retail store. Which medium to use is usually determined by the type and number of potential consumers to be reached. For example, if the appeal is to the customers of an individual merchant, handbills will be used; if the appeal is to the area population for purposes of promoting a wholesaler's brand or a voluntary group of stores, local newspapers, radio, or television may be used.

Handbills were regarded as an important promotional aid by the wholesalers visited. The retailer is usually charged for these--some wholesalers bill the retailer for the full printing cost, whereas other wholesalers absorb part of the cost. These handbills were distributed by: (1) Mail, (2) door-to-door delivery; (3) placing them in the shopping carts; and (4) inserting them in the grocery bag as an invitation to return.

Mailing is considered the best method of distribution since a greater percentage of the handbills actually reach potential customers than through the other methods. For instance, it was pointed out that when the door-to-door plan is used there is a possibility of the distributor's discarding them. Some wholesalers mailed the handbills to the retailer's customers each week, thus allowing the retailer more time to devote to his store operations. The retailer in this case paid the postage. Such a method was found to be more advantageous to the retailer who did not have an opportunity to use weekly newspaper advertisements because of his geographical location. The information that appeared on the handbills was tied in with all other advertising conducted by the wholesaler. A caution mentioned by one wholesaler in the use of such an aid was that the wholesaler must be certain that the retailer is stocked with the items being advertised. To eliminate the possibility of low stocks, the wholesaler should advise his retailers of his advertising campaign far enough in advance to allow them sufficient time to replenish their stocks of the advertised items.

Newspaper advertising appeared to be the medium used most by the wholesalers in promoting their merchandise, whether it was nationally

advertised or private brands. If the trade area was one of great size, then both local and out-of-town newspapers were used to assure relatively wide coverage. Otherwise the local paper only was used.

Since consumer demand for nationally advertised brands has already been established, the necessity for full coverage was not considered as important as that for private brands. Some wholesalers ran weekly advertisements for a group of stores as a whole or for individual stores whose weekly orders were above the average order size. The latter method must be used with discrimination in order to avoid charges of favoritism. Some wholesalers do not place direct advertisements themselves. Instead, they grant food merchants an allowance for space they used in advertising--particularly for the wholesaler's private brand. In these cases, the advertisement appeared in the newspapers as being placed by an individual retailer.

Radio and television advertising. Most wholesalers feel that radio advertising is effective only if it appeals rather directly to prospective users of the advertised product--ordinarily, the homemaker. Therefore, these wholesalers, when advertising food products, tried to select a program that usually appealed to the homemakers. A common type of program in use is one in which the homemaker is called by telephone from the radio station and asked a question. If she answers the question correctly, she receives a free supply of groceries. This type of program was used mostly by wholesalers who had their own private brand. They felt that once the homemaker is introduced to this brand she is likely to ask her own grocer for it next time she shops. Another advantage to this participating type of advertising, mentioned by one wholesaler, is that the public realizes nothing has been rehearsed and that the statements made by contestants must be true. The station announcer mentions the brand of merchandise the homemaker will receive, as well as some stores that carry it.

One of the wholesalers used television for advertising. Others hesitated because of high costs. They did, however, express a desire to use it if the cost is reduced.

Store Engineering

Most of the wholesalers interviewed were of the opinion that a store engineering department was an essential part of present-day wholesale grocery operations. They gave the following reasons for their conclusions regarding this department:

1. New and remodeled stores help to increase retail sales, which, in turn, increase the wholesaler's sales volume.
2. A store engineering service often can be performed more economically by the wholesaler than by a private firm as the wholesaler is likely to have a better knowledge of a specific food merchant's needs and potentialities.

3. It gives the wholesaler an opportunity to gain the loyalty of a merchant who accepts his help in modernizing or relocating his store.

The charge for such a service varied among the wholesalers. Although some wholesalers had established this service on a profit-making basis, the majority set it up on a cost, or service-free, basis. Most wholesalers feel that if this service is set up on a profit-making basis, fewer retailers will take advantage of it. On the other hand, if the retailer is given this service free of charge, the costs would have to be absorbed in the wholesaler's prices, in which case all retail customers, whether they take advantage of the service or not, will be paying a part of the costs.

Functions of the Engineering Department

The completeness of the store engineering services furnished varied among the wholesalers. Some wholesalers offered their retailers a service which included every step from discussion of the basic situation to the arrangement of the stock on the shelves after the construction work had been completed and beyond the "grand opening" into maintenance guidance. Other wholesalers offered only a few phases of this service.

In some cases the wholesalers expressed their desire to leave the responsibility for the introduction of this service to the salesmen or supervisors. They felt that since the salesmen and supervisors were in closer contact with the retailers, and enjoyed their confidence, they could more readily advise them of the desirability of making changes than could any other person on the wholesaler's staff. When this policy is followed, it is necessary that all of the wholesaler's sales representatives be kept advised on all new methods of store improvements so that they will be in a position to recommend changes when they appear necessary.

Some of the wholesalers followed a definite plan for designing and remodeling retail stores such as the following:

1. Basic information was obtained. A method used by a progressive wholesaler in the Midwest for collecting such information is the following check list.

CHECK LIST

1. Size of sales room (include dimensions) _____
 - a. Length _____.
 - b. Width _____.
 - c. Posts _____ . Where? _____
Show distance to walls in two (2) directions.
 - d. Heat _____ . Kind _____ Where _____
Floor openings _____ . Hot _____ . Cold _____ . Radiators _____
Show distance to walls in two directions.

- e. Offsets in walls _____ Size _____ x _____.
Show distance from a corner.
- f. Pipes _____ . Exact location _____ . Size _____ .
- g. Heating ducts to second floor.
- h. Windows _____ . Exact locations and size _____ .
Height from floor not necessary when bottom sill is 6 feet
from floor.
- i. Doors _____ . Exact locations _____ Size _____ .
Can doors or windows be sealed off with fixtures or shelving?
Direction of swing _____ .
Front door - inset from front distance _____ .
Funnel type _____ Box type _____ .
Plans to change door _____ . Show steps if any _____ .
- j. Window boxes or ledges inside.
Can be removed _____ . Have been removed _____ .
- k. Other things that are part of building - trap doors _____ .
Stairway _____ Balconies _____ . Etc. _____ .

2. Fixtures - Show actual floor space required. Length ____ . Width ____ .

- a. Meat Dept. How many cases? _____ .
 - 1. Style of each _____ length _____ width _____ size _____ .
Scales and wrapping counters are not considered part of
floor space.
 - 2. Fish & poultry. Length ____ width ____ Size scale and wrapping
counters.
 - 3. Cooler door where? _____ Swing? _____
Size _____ Etc. _____ .
Cooler location can be moved _____ .
 - 4. Saw _____ .
 - 5. Block _____ .
 - 6. Slicer _____ .
 - 7. Steaker _____ .
 - 8. Grinder _____ .
 - 9. Other _____ .
- 10. Benches or counter in meat department - size _____ .
- b. Dairy case _____ .
 - 1. Style - Single duty ____ . Double deck ____ . Triple ____ .
Size _____ .
 - 2. If none, how handled? _____ .
- c. Produce
 - 1. Kind - Wet ____ . Dry ____ . Refrigerated ____ . Ice ____ .
others _____ .
 - 2. Size _____ .
 - 3. Dry rack
Style _____ . Size _____ . Etc. _____ .
 - 4. Dump tables Size _____ . Etc. _____ .
 - 5. Potatoes How handled _____ . Floor rack _____ .
Size _____ . Etc. _____ .
 - 6. Scale _____ .
 - 7. Others _____ .

- d. Check out
Give dimensions _____.
Is there need for additional check outs? _____.
- e. Frozen foods
 - 1. Style If open _____ . Deep freeze _____ .
 - 2. Size _____ .
- f. Ice cream _____ .
 - 1. Style _____ .
 - 2. Size _____ .
- g. Pop cases
 - 1. Size _____ .
 - 2. How many _____ Could get by with only one? _____ .
 - 3. Bottle returns _____ .
 - 4. Racks Could pop be sold from shelving? _____ .
- h. Other fixtures that are to be used - give description and size.

- j. Shelving wall length _____ Location on plan _____ .
How high _____ Can be moved _____ .
Depth _____ Can be cut down _____ .
No. shelves _____ Wants new? _____ .
- k. Islands _____ Length _____ Width at widest point _____ .
No. shelves _____ Wants new _____ .

(Before sending plan in make a rough drawing as store now is, using 1/4" scale (1/4 inch equals one foot). This will help to check your measurements.)

2. Upon receipt of this information the store engineer makes a tentative sketch of the building that is to be remodeled and an estimate of all the costs. Experience has indicated that the estimate should be carefully made so that the retailer is not asked at some later date to spend more than he bargained for. The estimate usually includes not only the cost of construction, but also the equipment and installation costs of new fixtures that may be necessary. It often extends into budgeting the improved and enlarged store's working capital, considering inventory increases, and other additional requirements.

3. A conference is held with the retailer, at which time he is shown the preliminary sketch and given an opportunity to suggest changes he thinks are desirable. Estimated costs are also furnished the retailer. If the retailer decides that he cannot finance such an undertaking, the store engineer reports this to the proper officials in the wholesale organization. Arrangements might then be made to help the retailer obtain the necessary capital or, if that is not possible, less extensive plans may be drawn up.

4. After all terms are agreed upon, the store engineer has a blueprint prepared to show all desired specifications.

5. A bid is then let by the store engineer for the work. He often has complete charge of drawing up the contract and seeing that it is let to the bidder who is the most efficient at the lowest cost possible to the retailer.

6. The next step taken by some engineering departments is to order the material needed for building or remodeling the store. However, some store engineers leave this phase of the work to the construction company. Should the engineer have good connections with a building supply company, he might be in a better position to perform this function, thereby reducing the construction costs.

7. Once the construction is under way, it is supervised by periodic inspections by the store engineer so that he can be certain that all construction work is done according to specifications.

8. The store fixtures are ordered during construction so as to eliminate any delay in the opening date of the store. If it is the wholesaler's policy to build fixtures such as shelves, display cases, and checkstands, it is done during this time.

9. After the construction work is completed, all debris is removed and the fixtures installed.

10. Arrangement of stock in the display cases, on the shelves, and on gondolas is the next step. This is done in accordance with modern merchandising practices.

11. A final check of the floors and equipment is made just prior to the opening of the store.

Store Engineering Department Personnel

Since store engineering as a profession is relatively new, little thought has been given to the qualifications the personnel of that department should possess. It is true that store engineering has existed for some time in the wholesale grocery field, but the person in charge seldom made a business of it. Until recent years the duties of this department were usually performed to a limited degree by salesmen or supervisors. According to three leading wholesalers, a good store engineer should have:

1. A knowledge of the fundamentals of store planning.
2. The ability to visualize improvements that can be made by remodeling and through the use of new equipment.
3. The ability to be a good draftsman.
4. A thorough knowledge of all departments of a store.

5. A knowledge of the financial position of the retailer concerned, in order to advise him on feasible expenditures in building or remodeling his store and for extended operations thereafter.
6. A knowledge of merchandising.
7. The ability to point out the necessity for remodeling or building a new store.
8. The ability to direct other people.
9. Familiarity with store equipment to the extent of knowing the advantages and disadvantages of many types and makes.

In addition to the store engineer, this department should have one or more draftsmen, depending on the number of retail customers serviced. Since it is usually a requirement that blueprints be signed by a certified draftsman, it is recommended that all of them be licensed to avoid additional costs that might ensue if this service were obtained from a person not employed by the wholesaler.

The wholesalers stressed the point that the store engineer should never be permitted to accept a gift from a supplier. If such gratuity should be accepted, it could mean disaster to the store engineering program by adversely influencing the engineer's recommendations.

Store Management Guidance

In many progressive wholesale organizations a management guidance program is in effect whereby the retailers are informed to some degree on one or more of the following: (1) Good housekeeping methods; (2) ways of obtaining sound public relations; (3) all facets of general store policies; and (4) possibilities of expansion. This guidance is usually furnished the retailer through personal conferences and, at times, through bulletins. At present there is relatively little evidence available that can be used to evaluate the effectiveness of such help by the wholesaler. The development of such data would be helpful in determining the desirability of continuing or expanding it.

Guidance Directed Toward Good Housekeeping

Guidance directed toward good housekeeping, quite apart from the introduction of modernizations or additional fixtures which would fall in the province of store engineering, includes all the aspects of keeping the merchant's physical plant in tip-top shape. Consideration is given to such matters as constant care of the refrigerating equipment, back rooms, and other parts of the premises.

One wholesaler made the following comments regarding the efforts which he has made toward guiding his customers in good housekeeping methods:

Each year the national office of our voluntary chain organization conducts a system-wide paint-up, clean-up campaign among member stores. It has to do with good housekeeping and all its phases--including store fronts, walls, ceilings, shelves, equipment of all kind, back rooms, basements, even to personnel attire and the like.

Our organization, through bulletins, supervisors, meetings, and every other methods we can think of, promotes this campaign for a period of about four months each year, and we have been quite successful in securing the cooperation of our dealers--to the extent that at the end of the period, we seldom have more than two or three stores out of our more than 200 who have not made considerable effort toward improvement. In fact, it is a "must" in our division that every store paint its front at least once a year.

Another wholesaler made the following remarks:

We have taken a definite stand that all Member Stores should be clean, well kept, well stocked and should contain the most modern equipment that the Member can afford, based on his location and capacity. At one time some years back we put on a positive campaign on this subject, invited Members to attend meetings and had a first-class speaker to sell them the idea. We think the results at that time were very good. During recent years a large number of new markets have been installed. Many of these operators come to us and discuss their plans. That has made it possible for us to mention such ideas as proper unloading facilities for their receiving department, plenty of good parking for their customers, good lighting, and good checkstand systems. It has also given us an opening to call to their attention that the good business man also counts his costs and always knows what he is doing and that a low-operating overhead is the secret of a good operation.

The wholesale grocer should constantly urge his representatives to stress the value of good housekeeping to the retail members he services. These representatives should be so trained that on their visits to the retail stores they can immediately observe defects in the retailers' housekeeping function. The retailer should be shown such defects and shown or told ways to correct them.

Guidance Directed Toward Sound Public Relations

Although a retail store, judging from all appearances, has the attributes to make it a successful store, it may still experience small store traffic or a slow turn-over of merchandise. Such a condition may

at times arise from poor public relations. Some wholesalers, realizing this, are formulating public relations guidance programs for the retailers they service. For instance, one progressive wholesaler encourages his customers to become active in community affairs and assists them from time to time in sample fairs or other types of booths in local community activities. In addition, this wholesaler frequently furnishes women's organizations with food to put on a dinner through the courtesy of the local store. In addition, a great number of his customers belong to service clubs.

Another progressive wholesaler made the following comments regarding the advantages a retailer gains by good public relations:

There is nothing that exceeds the value of local cooperation for the individual merchant. His membership in the local clubs, school organizations, etc., is one of his greatest assets.

Some public relations can also be obtained by having tours through the wholesale warehouse so that the homemaker can see just how an order is processed. This would be especially important to the grocery wholesaler who manufactures or processes such food items as coffee, peanut butter, and spices. After such a tour, tea could be served, at which time the homemaker is shown a movie on the food industry. The American public is usually willing to learn, and the wholesale distribution of food is a phase of the food industry of which the ordinary person has little knowledge.

Guidance Directed Toward All Facets of General Store Policies

Guiding the retailer to keep "on his toes" in all facets of general store policies includes such decisions as whether he should continue or discontinue delivery services and charge accounts. These questions are debatable. For instance, some wholesalers reason that the independent retailers should discontinue their delivery and credit service so that they may operate on the same basis as the corporate chain stores. One wholesaler pointed out that when a store is on a delivery basis, the homemaker will telephone in an order and thus eliminate any possibility of "impulse buying." It is furthermore contended that few retailers are willing to charge extra delivery costs and are thus forced to charge everybody higher prices than they would have to charge otherwise. Several wholesalers, who are trying to put all the retail stores they supply on a cash basis, gave the following reasons for their action:

1. Credit has destroyed more good will than it has ever developed.
2. The corporate chain stores' average operating costs scarcely amount to 15 percent. It is not possible to handle credit and delivery and remain price competitive with independent cash-and-carry markets.

3. The public is accustomed to think that a credit store charges higher prices.

4. It takes longer and slows down service in the store to handle credit and telephone orders.

5. When an account for \$50 is carried, replacing the merchandise requires an additional \$50 investment.

6. In most instances, the customer who buys on credit usually purchases only a small percentage of his merchandise at the store where credit is given and the bulk of it in cash stores.

In contrast, another wholesaler made the following statement regarding this kind of guidance:

Through our bulletins, we continue to remind the stores that competition must be met, and competition is to include services as well as prices.

Both of these wholesalers are very progressive, have business volumes above the average, and service a voluntary chain of retailers. Yet each has a different viewpoint toward the question of advising its customers on a delivery and credit service. Additional research in this area would be helpful in deciding the best policy.

Guidance Directed Toward Possibilities of Expansion

Most of the wholesalers interviewed are counseling some of the more successful retailers they service on possibilities of expansion. Expansion plans usually include the addition of nonfood lines that will increase both the traffic through their stores and the over-all gross from their business.

One wholesaler made this comment:

We are continuously urging retailers with ability and financial capital into better locations and larger stores; and we frequently add nonfood lines to our inventory to offer our retailers that will increase the popularity of their store. One of the more recent items added is ladies' hosiery--another, electrical equipment, paint, and candies.

A second wholesaler who services a large voluntary chain group in the Midwest made the following comment regarding this subject:

Guidance directed toward possibilities of expansion is definitely part of our program and this is evidenced by the fact that our large supermarket accounts of today have in practically every instance, been the outgrowth of some dealer starting in a very

humble way, as to the amount of capital he had, the size of his store, and the scope of his knowledge and experience.

It has been our observation, too, that the best job we could do for the successful retailer we are working with, is to have him invest his money in the line that he has the most knowledge and understanding of. It is quite ordinary for a man to make money in the retail food business and then lose it all by investing it in another line that he knows nothing about. So, besides trying to direct a portion of the profits that are realized through this method of distribution in the extension thereof, we are at the same time having a more wholesome influence on the dealer's investment to give him greater assurance of safety and security.

Wholesalers have an opportunity to be better informed on such matters as current business conditions, potential store traffic, and profitable additions to the retailers' lines of merchandise than most of the individual retailers they service. Alert wholesalers make the most of these opportunities and pass along to their retailers all the help and advice possible.

SPECIAL SERVICES

Special services are those services which generally are performed by the retailer, by agencies other than the wholesaler, or not at all. A few wholesalers see an opportunity to perform these services for the retailer more economically and/or efficiently than they are being performed otherwise. In return the wholesalers expect to make better and more loyal customers of the retailers served. The services being offered by the wholesalers studied, included accounting, financial aid, counsel on real estate, help with insurance coverage, retail training, and employment.

Since most of these special services are being performed by only a limited number of wholesalers and often on a restricted scale, there is little basis for evaluating them. Most of the wholesalers who did not perform the special services had not formed firm opinions regarding them. These wholesalers were proceeding slowly by adding one or two services at a time, meanwhile obtaining as many facts as possible to help them evaluate those services added as well as possible new ones. Preliminary observations indicated that a number of improvements are possible by way of simplification and uniformity in the services if they are to be performed. Further study should be made of the values received by the retailer and the wholesaler from them.

Accounting Service

It was the consensus among the wholesalers visited that the retailers should have a good accounting system for two specific reasons:

1. Under present competitive conditions the business pulse of retail establishments, no matter how large or small, has to be checked carefully from month to month or, at a minimum, from quarter to quarter. This is necessary to discover which operating practices and policies and which departments should be improved in order to make the store more profitable.

2. The Government now requires certain periodic information which is not obtainable unless accurate records are kept.

With these points in mind the following discussion will be devoted to the three usual ways of maintaining records: (1) By the retailer on his own accord; (2) by the retailer in cooperation with a wholesaler; and (3) by the retailer with the help of a private accounting firm.

Accounting by the Retailer

Most retailers must keep some accounts. Unfortunately, most of the sets of accounts kept by the independent retailers without help are not sufficient in detail or not organized in such a way that they meet the present-day needs of the operators. Several of the wholesalers who cooperated in this study attributed the inadequacy to lack of sufficient time and, in some cases, to the lack of knowledge of bookkeeping. They were also of the opinion that even though the retailer might be able to keep good records, he is often unable to do the kind of cost analysis which would aid him in figuring the lowest operating costs. In addition, because of their size, many retailers cannot afford professional assistance to help them solve their accounting problems. Several wholesalers, understanding this situation, have aided their retailers by compiling forms and manuals to guide them in maintaining good accounting records.

The following pages are devoted to a description of the forms supplied by one wholesaler to his retail customers. Accompanying the forms is a manual with an explanation on the first page of the importance of keeping good records. Since the column headings of the following sample forms are largely self-explanatory, only a few clarifying comments are made in this report. However, if any wholesaler decides to use this service, each column should be explained in detail in a manual. The manual should always be available to the retailer as an aid in filling out the forms. During the introductory period, the system should be explained to the retailer by trained personnel from the wholesale organization.

Daily Purchases and Expenses Form is used to post information jotted down during the day on the work sheet (figs. 3 and 11). It is important that the owner's salary be listed under expenses, since the self-employed grocer is covered by an amendment to the Social Security Act. In the last column of this form are entered only the amounts for payments toward capital items which will be entered on the depreciation schedule and not written off all at once. Payments for pieces of equipment, or items on which the depreciation is written off immediately, should be listed under general expenses.

By the use of Monthly Sales and Cash Record Form (fig. 6) along with the "Monthly Purchases and Expenses" form, the retailer can get his gross profit for each department, taking into account the inventory at the beginning and end of the month in question. This is done by deducting the monthly purchases from the monthly sales of each department.

| | MONTHLY SALES | | | | | MONTHLY CASH IN | | | | | | MONTHLY CASH OUT | | | CASH BALANCE | |
|--------------|---------------|-------|---------|--|-----------------------------|-----------------|------------|----------------------------------|---------------------|---------------------|------------------------------------|------------------|-----------------|----------------|---|-------------------------|
| | GROCERIES | MEATS | PRODUCE | | TOTAL SALES CASH AND CHARGE | CHARGE SALES | CASH SALES | CASH RECEIVED ON CHARGE ACCOUNTS | OTHER CASH RECEIVED | TOTAL CASH RECEIVED | NOTE FROM WHOM OTHER CASH RECEIVED | CASH PAID OUT | CHECKS PAID OUT | TOTAL PAID OUT | ENTER TOTAL CASH ON HAND AND CASH IN BANK | TOTAL NO. OF SALES MADE |
| JAN. | | | | | | | | | | | | | | | | |
| FEB. | | | | | | | | | | | | | | | | |
| YEAR TO DATE | | | | | | | | | | | | | | | | |
| MAR. | | | | | | | | | | | | | | | | |
| YEAR TO DATE | | | | | | | | | | | | | | | | |

Figure 6.--Monthly sales and cash record form.

The Business Memorandum Form (fig. 7) appears at the bottom of the "Monthly Sales and Cash Record" form and is used to enter dollar amounts of merchandise purchased or withdrawn from stock to use for operational supplies, such as brooms, mops, and soap. Cost prices are entered since they are deductible expenses from income tax, and a justified expense to include in the "Profit and Loss Statement."

| DECREASE | | | | | | | | | | | | | |
|---|------|------|------|-------|-----|------|------|------|-------|------|------|------|----|
| % OF TOTAL SALES | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ |
| BUSINESS MEMORANDA | JAN. | FEB. | MAR. | APRIL | MAY | JUNE | JULY | AUG. | SEPT. | OCT. | NOV. | DEC. | |
| NOTE: ADDITIONAL ITEMS AND FIGURES MONTHLY WHICH YOU WISH TO REMEMBER | | | | | | | | | | | | | |
| | | | | | | | | | | | | | |
| | | | | | | | | | | | | | |
| NOTE: KEEP TRACK OF OPERATING SUPPLIES TAKEN OUT OF RESALE MOSE. MONTHLY FOR TAX PURPOSES. | | | | | | | | | | | | | |

Figure 7.--Business memorandum form.

The information on Time Payments and Depreciation Schedule Form (fig. 8) is important in making up the "Profit and Loss Statement" and the "Balance Sheet." It is suggested that these items should be grouped according to delivery equipment, fixtures and equipment, building cost depreciation, and building improvements. Building improvements can include such items as major painting or major remodeling, additions, and a new roof.

| LIST ALL ITEMS ON HAND AT FIRST OF YEAR AND ENTER NEW AND ADDITIONAL ITEMS AS PURCHASED | | COST INCLUDING FREIGHT, INSTALLATION, FINANCE CHARGES | FURNITURE, FIXTURES, AND EQUIPMENT TIME PAYMENT RECORD | | | | | | | | | | | | VALUE AT FIRST OF YEAR | DEPRECIATION DURING YEAR | VALUE AT END OF YEAR | AMOUNT RECEIVED WHEN ITEM SOLD | | |
|---|-------------|---|---|-----|-----|-----|-----|------|------|-----|------|-----|-----|-----|------------------------|--------------------------|----------------------|--------------------------------|-----------------------|--------|
| DESCRIPTION | BOUGHT FROM | | ENTER MONTHLY PAYMENT AND CHECK OFF WHEN PAID | | | | | | | | | | | | | | | | CHECK HOW DISPOSED OF | |
| | | | JAN | FEB | MAR | APR | MAY | JUNE | JULY | AUG | SEPT | OCT | NOV | DEC | | | | DATE | | |
| | | | | | | | | | | | | | | | | | | AMOUNT | | |
| | | | | | | | | | | | | | | | | | | SOLD | TRADED | JUNKED |
| | | | | | | | | | | | | | | | | | | | | |
| | | | | | | | | | | | | | | | | | | | | |

Figure 8.--Time payments and depreciation schedule form.

The net amount shown as paid in the Record of Employee Hours and Wages Form (fig. 9) should correspond with the amount entered on the "Daily Purchases and Expenses" form under wages and salaries.

| MALE | SINGLE | DATE OF BIRTH | DATE HIRED | RATE OF PAY | STREET | EMPLOYEE'S SOCIAL SECURITY NO. | | | | | | | | | | | | |
|------------------|-------------------------------|------------------|---------------|-----------------|--------|--------------------------------|----------------------|--------------|--------------------|-------------|----------------|-----------------|---------------------|------------|------------------|---------|---------------|-----------------|
| FEMALE | MARRIED | CITIZEN OF U.S.? | DATE PAID OFF | REASON PAID OFF | CITY | STATE | NAME | YR. | | | | | | | | | | |
| DATE WEEK ENDING | ACTUAL NUMBER OF HOURS WORKED | | | | | | TOTAL HOURS FOR WEEK | WAGES EARNED | OTHER COMPENSATION | | TOTAL EARNINGS | OLD AGE BENEFIT | INCOME TAX WITHHELD | GROUP INS. | OTHER DEDUCTIONS | | TOTAL DEDUCTS | NET AMOUNT PAID |
| | SUN. | MON. | TUE. | WED. | THUR. | FRI. | | | SAT. | EXPLANATION | | | | | AMOUNT | EXPLAIN |  |  | AMT. |
| | | | | | | | | | | | | | | | | | | |
| | | | | | | | | | | | | | | | | | | |
| | | | | | | | | | | | | | | | | | | |
| | | | | | | | | | | | | | | | | | | |
| | | | | | | | | | | | | | | | | | | |
| | | | | | | | | | | | | | | | | | | |
| | | | | | | | | | | | | | | | | | | |
| | | | | | | | | | | | | | | | | | | |
| | | | | | | | | | | | | | | | | | | |

Figure 9.--Record of employee hours and wages form.

The Record of Loan Form (fig. 10) enables the retailer to keep a close watch of the amortization of a loan as well as a record of interest payments so that he can deduct them from his income tax and make up an accurate balance sheet. This same form may also be used for keeping a record of loans made to others.

| | | |
|------------------------|--|---------------|
| DATE LOAN MADE | | BORROWED FROM |
| TOTAL LOAN | | |
| RATE OF INTEREST | | |
| CASH RECEIVED | | ADDRESS |
| DATE FIRST PAYMENT DUE | | |

Figure 10.--Record of loan form.

2. The wholesaler's role in conducting an accounting service may be particularly fruitful since it opens up the opportunity for an evaluation of the retailer's operating practices by comparing them, not only with his past operations but also with those of other known successful retail operators.

The system apparently offers advantages to both wholesaler and retailer and, in addition, fosters a closer relationship between them. When the wholesaler discovers, for instance, that a particular department is not operating profitably, he can suggest a remedy to the retailer. In turn, the retailer may be able to obtain help more economically in this way than he could by employing an outside firm. The retailer is relieved of time-consuming detail work and is able to devote more time to his selling function. Such arrangements in the past have usually resulted in increased sales for the wholesaler.

Information required of the retailer by one of the wholesalers keeping accounts for his retailers includes:

1. Daily cash register control sheet. This sheet is kept daily and submitted at the end of the month to the wholesaler.
2. Daily paid-out sheet. This sheet is also kept daily and is submitted monthly.
3. List of checks issued, as taken from the check stub, and the check stub balance. This list must show the expenses and department for which the check was issued.
4. Bank statement and canceled checks for the month.
5. Amount or list of accounts receivable at inventory periods.
6. List of accounts payable at inventory periods.
7. Inventory at inventory periods.
8. Amount of notes payable and mortgages outstanding.

In order that the information may be compiled systematically by the retailer, this wholesaler designed the "Daily Cash Register Control" sheet (fig. 13), and "Daily Paid Out" sheet (fig. 14).

The information from these sheets, plus that from the check books and stubs, the inventory, and the notes payable and receivable, is sufficient for this wholesaler to make up a balance sheet and a profit and loss statement similar to those shown in figures 15 and 16.

An "Accounting Service Department" report was sent to the retailer at the end of each accounting period (fig. 17). This report informed the

| date | cash begin of day | sales | | | | other cash | total cash | cash paid out | balance | deposits | balance end of day | + over - short |
|------|-------------------------|-------|--|--|--|---------------|---------------|---------------------|---------|----------|--------------------------|-------------------|
| 1 | | | | | | | | | | | | |
| 2 | | | | | | | | | | | | |
| 3 | | | | | | | | | | | | |
| 4 | | | | | | | | | | | | |
| 5 | | | | | | | | | | | | |
| 6 | | | | | | | | | | | | |

Figure 13.--Daily cash register control sheet.

| NAME | | | | ADDRESS | | | | | ACCT. NO. | | | |
|------|---------------|------|------|--------------|--------|----------|-------|------------------------|-----------|----------|------------------|-------|
| date | total paid | gro. | meat | pro- duce | salary | personal | truck | phone heat power | adv. | supplies | explan- ation | misc. |
| 1 | | | | | | | | | | | | |
| 2 | | | | | | | | | | | | |
| 3 | | | | | | | | | | | | |
| 4 | | | | | | | | | | | | |
| 5 | | | | | | | | | | | | |
| 6 | | | | | | | | | | | | |
| 7 | | | | | | | | | | | | |
| 8 | | | | | | | | | | | | |
| 9 | | | | | | | | | | | | |
| 10 | | | | | | | | | | | | |
| 11 | | | | | | | | | | | | |

Figure 14.--Daily paid-out sheet.

the retailer of the good and bad points of his business operation. If any of the operations of the firm did not appear to be in good condition, recommendations for improvements were made by the wholesaler.

A charge was made for the accounting service to cover approximate expenses incurred by the wholesaler in operating the department. This charge amounted to \$12 per month for the first \$100,000 (or less), and \$3 for each additional \$100,000, of business.

Another wholesaler made the following comments on retail store accounting:

We have stressed the importance of accuracy and the need of considerable detail to maintain a good general ledger for each account. We ask each store to send a weekly store report which, after checking in our office, is used as a basis for posting to the general ledger. Posting is done on a.....bookkeeping machine.

BALANCE SHEET

Date

Unverified Information

ASSETS

Current Assets

| | | | |
|-----------------------|-------|---------|---------|
| Cash on Hand | | \$..... | |
| Cash in Bank |  | ..... |  |
| Accounts Receivable | ..... |  |  |
| Less Bad Debt Reserve | ..... | ..... |  |
| Merchandise Inventory |  | ..... | \$..... |

Fixed Assets *

| | | | |
|---------------------------|-------|-------|---------|
| Notes Receivable |  | ..... |  |
| Deposits |  | ..... |  |
| Machinery & Fixtures | ..... |  |  |
| Less Depreciation Reserve | ..... | ..... |  |
| Autos & Trucks | ..... |  |  |
| Less Depreciation Reserve | ..... | ..... |  |
| Buildings | ..... |  |  |
| Less Depreciation Reserve | ..... | ..... |  |
| Land |  | ..... |  |
| Other Real Estate |  | ..... |  |
| Other Investments |  | ..... |  |
| | | | \$..... |

Deferred Charges

| | | | |
|------------------|--|-------|---------|
| Supply Inventory |  | ..... |  |
| Insurance |  | ..... |  |
| | | | |
| | | | \$..... |

Total Assets \$.....

LIABILITIES

Current Liabilities

| | | | |
|------------------|--|---------|---------|
| Bank Overdraft | | \$..... | |
| Accounts Payable |  | ..... |  |
| Notes Payable |  | ..... |  |
| Payroll Taxes |  | ..... |  |
| | | | \$..... |

Fixed Liabilities

| | | | |
|-----------------------------|--|---------|---------|
| Conditional Sales Contracts | | \$..... | |
| Mortgages on Real Estate |  | ..... | \$..... |

Reserve Accounts

| | | | |
|--------------------|--|---------|---------|
| Pers. Property Tax | | \$..... | \$..... |
| Real Estate Tax |  | ..... |  |
| Interest |  | ..... |  |

Total Liabilities \$.....

Net Worth Section

| | | | |
|-------------------------------|--|-------|---------|
| Investment |  | ..... |  |
| Increase to (P&L) |  | ..... |  |
| Net Worth |  |  | ..... |
| Total Liabilities & Net Worth | | | \$..... |

Figure 15.--Balance sheet form.

PROFIT AND LOSS STATEMENT of _____

Address _____

For Period _____ to _____

| | Working Record | Net Results | Year To Date |
|----------------------------------|-------------------|----------------|-----------------|
| Cash Sales Groceries | | | |
| Cash Sales Meats | | | |
| Cash Sales Produce | | | |
| Accounts Receivable (E) | | | |
| Total | | | |
| Accounts Receivable (B) | | | |
| Net Sales Groceries | | | |
| Net Sales Combined | | | |
| Cash Purchases Groceries | | | |
| Cash Purchases Meats | | | |
| Cash Purchases Produce | | | |
| Accounts Payable Groceries (E) | | | |
| Accounts Payable Meats (E) | | | |
| Inventory Meats (B) | | | |
| Inventory Groceries (B) | | | |
| Total | | | |
| Accounts Payable (Groceries) (B) | | | |
| Accounts Payable Meats (B) | | | |
| Inventory Groceries (E) | | | |
| Inventory Meats (E) | | | |
| Total | | | |
| Net Cost of Sales | | | |
| Gross Profit Groceries | | | |
| Gross Profit Meats | | | |
| Gross Profit Produce | | | |
| Gross Profit Combined | | | |
| Expenses | | | |
| Rent or Building Expense | | | |
| Salaries | | | |
| Personal | | | |
| Truck Expense | | | |
| Phone-Light-Heat-Ice | | | |
| Advertising | | | |
| License-Intereat-Insurance-Taxes | | | |
| Store Supplies | | | |
| Freight and Cartage | | | |
| Depreciation on Fixtures | | | |
| Miscellaneous | | | |
| Total Expense for period | | | |
| Operating Profit | | | |
| Other Income | | | |
| Net Profit | | | |

Figure 16.--Profit and loss statement form.

JOHN DOE WHOLESALE COMPANY

ACCOUNTING SERVICE DEPT. REPORT

Covers Period _____ Ending _____

Grocery Dept. Sales for Month \$ _____ Yr. to Date \$ _____
 Meat Sales for Month \$ _____ \$ _____
 Produce Sales for Month \$ _____ \$ _____
 Combined Sales for Month \$ _____ Yr. to Date \$ _____
 These combined sales compare with _____ \$ _____ \$ _____
 The progress in sales is good _____ fair _____ bad _____
 Accounts Receivable increased and must be watched _____
 Is it possible to be _____ on a cash basis _____
 Accounts Payable increased. This must be watched closely _____
 Accounts Payable decreased which is a good sign _____
 Inventory has increased but is within reason _____
 Inventory has decreased to a point of where we doubt the possibility of proper display and sales _____
 Inventory should be taken _____
 Gross Profit on Meats _____ Groceries _____
 Gross Profit combined _____
 This gross profit reflects: Questionable efficient operation _____ Questionable accuracy of _____
 figures _____ Possible leakage _____ alone accounts for your loss _____
 very good progress _____ if proper gross of _____ had been made your net of _____
 would be _____
 Total Expense shows _____

EXPENSES

| | Actual \$ | Actual % | Possible \$ | Possible % | Reduce \$ |
|--|-----------|----------|-------------|------------|-----------|
| Building | _____ | _____ | _____ | _____ | _____ |
| Salaries | _____ | _____ | _____ | _____ | _____ |
| Personal | _____ | _____ | _____ | _____ | _____ |
| Above last 2 combined | _____ | _____ | _____ | _____ | _____ |
| Delivery | _____ | _____ | _____ | _____ | _____ |
| Phone, Heat, light & ice | _____ | _____ | _____ | _____ | _____ |
| Advertising | _____ | _____ | _____ | _____ | _____ |
| Lic., Int., Ins. & Taxes | _____ | _____ | _____ | _____ | _____ |
| Store Supplies | _____ | _____ | _____ | _____ | _____ |
| Freight & Cartage | _____ | _____ | _____ | _____ | _____ |
| Bad Debts | _____ | _____ | _____ | _____ | _____ |
| Depreciation | _____ | _____ | _____ | _____ | _____ |
| Miscellaneous | _____ | _____ | _____ | _____ | _____ |
| Total Expense | _____ | _____ | _____ | _____ | _____ |
| Operating Profit | _____ | _____ | _____ | _____ | _____ |
| Other Income | _____ | _____ | _____ | _____ | _____ |
| Cash Position | _____ | _____ | _____ | _____ | _____ |
| Other Special Comments of Dept. Representative | _____ | _____ | _____ | _____ | _____ |
| | _____ | _____ | _____ | _____ | _____ |
| | _____ | _____ | _____ | _____ | _____ |

Figure 17.--Accounting service department report form.

We also furnish our retailers with a summary sheet to be used in checking out the cash registers. Incidentally, we have only one store which has any accounts receivable, the balance being on a cash basis.

Operating statements are prepared on a quarterly basis. This is not satisfactory, in many instances, but we have found that if we try to prepare more frequent reports there is apt to be a very wide fluctuation because of inaccurate inventories, the failure to include one or two invoices in accounts payable, etc.

It is my personal opinion that a statement without an actual inventory is of doubtful value, but I am inclined to believe that we should try to get out monthly or 6-week statements based on actual inventories for meat and fruit and produce, with estimated gross profit for the grocery department. Generally speaking there is not too much fluctuation in groceries, but we know that the margins in the perishable departments, especially meat, are extremely volatile. Some of our stores have gotten into trouble because of a too low meat gross. With the present day prices, a meat man is almost in the same class with a diamond cutter.

We do not have any accounting manual, and I don't think the retailers would ever read one. When we take on a new account, the manager of our retail accounting department spends quite a bit of time in the store showing exactly what we want and how to get it. He has to be there anyway to get the detail on the fixed assets, depreciation records, prepaid insurance, and other information essential for the preparation of an accurate general ledger. This also helps to overcome some of the difficulties of getting the stores to send in promptly the information which we require. I believe this is one of the most difficult aspects of the whole operation, another being the taking of accurate inventories.

The fee charged for this service is another thing which bothers us (see schedule below). The department barely operates in the black without any allowance for overhead, but at the same time we know our charges are high compared with those of other wholesalers. To a considerable extent, the value of this department is in having a check on the retail business. We do not adequately use the information which is available to us to provide tools for the better operation of their business. Perhaps this will come in time.

The service fee which this wholesaler charges is as follows:

| <u>Weekly business</u> | | <u>Weekly fee</u> |
|------------------------|---------------------|-------------------|
| <u>Dollars</u> | | <u>Dollars</u> |
| 0 | to 2,500 | 5 |
| 2,500 | to 5,000 | 8 |
| 5,000 | to 10,000 | 12 |
| 10,000 | to 20,000 | 15 |

Accounting by a Private Firm

A third method for wholesalers to handle accounting procedures for retailers is that of employing a private accounting firm under an "umbrella contract" covering all work it does for a group of retail merchants. Such a firm is often better equipped to perform this type of work than are some of the wholesalers themselves. Obviously, if the wholesaler does not have personnel qualified to do centralized bookkeeping work, the job should be assigned to a private accounting firm in order to obtain the accurate information which is so desirable for the retailer's success.

A disadvantage of this method, as mentioned by several wholesalers, lies in the fact that the suggestions which the wholesaler can furnish the retailer after analyzing his accounting records might be overlooked or not recognized by a private firm less familiar with retail operations. Some wholesalers maintain that they can offer the retailer an accounting service comparable to that offered by a private accounting firm for a more reasonable fee since such a service is offered by wholesalers on a non-profit basis.

There are some indications that the costs of taking periodic inventories by retailers may be greatly reduced through the use of automatic recording equipment. Inasmuch as this equipment may be too expensive for the average retailer to own, it could be furnished by the wholesaler or an accounting firm. In addition, skilled personnel, who would be part of the wholesaler's or accounting firm's staff, would make it a "natural" for them to perform this service.

Several studies have indicated that most small independent retailers do not have adequate accounting systems. Research is needed to measure the importance of accounts to the operation of a retail store, and to develop a simple set of accounts which, if kept, would meet adequately the retailer's operating needs as well as furnish the data necessary to help him manage his business. Studies should also be developed to show the most efficient and satisfactory methods of performing the function.

Financial Aid

Of the wholesalers interviewed, only a third offered their customers financial aid. It appears that this aid was usually offered by wholesalers

handling their own private brands. Only a few of the wholesalers loaned their own funds for this purpose. Others made connections with banks and insurance companies, which in turn, supplied the retailer with the necessary funds. In such cases the wholesaler often guaranteed the repayment of part of the loan and sometimes the entire amount. In either case, a reserve fund was set up by the wholesaler to cover any losses which might occur.

Before any loan was made the retailer was thoroughly investigated. Not only will the retailer's integrity and ability as a food distributor come in for thorough scrutiny but also the store's potentiality to grow will be evaluated. This evaluation, in some instances, will be based on a consumer-buying survey of the area where the store is located.

One wholesaler offering this service stated "there is a very important ingredient to this formula of developing retail food stores, and that is providing a medium to long term financial assistance for the new store or the store which is modernizing its business. There are not many people interested in the retail grocery business who have the capital necessary for such a deal, and the banks are not in a position to help any but the very best credit risks. The importance and the need of a financing program is indicated by the fact that 40 percent of our cost-plus accounts have received such assistance from us."

Another wholesaler made the following comment regarding the financial aid service which he offers his customers:

In our case financial aid is furnished on a very selective basis; we always see to it that a deserving retailer gets financial aid. If we cannot assist him in getting the aid he needs from a financial institution, oftentimes we furnish the aid ourselves. In my 20 years' experience we hardly had a loss--with the exception of two or three times when we misjudged our man.

In any event, this service is becoming more important today and is considered a necessity by some wholesalers. These wholesalers feel that before the retailer can become competitive within his trading area he must be able to offer consumers all the facilities that other retailers offer. Therefore, if space is needed by a retailer to perform the same services as those of his competitors, he must consider either building a new or remodeling the existing store, which, at times, requires the borrowing of capital for that purpose.

Real Estate Service

Although only one of the wholesalers among those contacted operated a real estate service for his retail customers, other wholesalers indicated a desire to do so in the near future. This service included:

1. Informing the retailer of stores for rent or sale.

2. Keeping the retailers posted on locations having no existing stores but having good potentialities.

The sources of information on stores for rent or sale are primarily salesmen, wholesalers' retail customers, newspapers, and real estate agencies. An up-to-date file on this information is kept. The types of cards kept for recording this information are shown in figures 18 and 19.

A map of the wholesaler's trading area is also kept, to show the type of zoning and the population density of each area and the location of existing stores. This information aids the wholesaler in determining the population trends from one area to another and what facilities are available for servicing the areas. Each month this wholesaler submits to his retailers a list of stores for sale or rent and store locations with good potentialities. The information includes the name of the store and its address, the person to be contacted, the value of the fixtures and stock, the monthly rent, and whether living quarters are available.

| VACANT STORES FOR RENT | |
|----------------------------|--------|
| Date | |
| Address of location | |
| Size of store | Rental |
| Living quarters | Rental |
| Heating - Kind - who pays? | |
| Tenancy history | |
| Owner | |
| Remarks | |

Figure 18.--Form used for recording data on vacant stores for rent.

| ACTIVE STORES FOR SALE | |
|--------------------------|---------------------------|
| | Date _____ |
| Name _____ | Address _____ Phone _____ |
| Value of Inventory _____ | Value of fixtures _____ |
| Size of store _____ | Amount of rent _____ |
| Living quarters _____ | Amount of rent _____ |
| Heating system? _____ | Deliveries? _____ |
| Yearly volume _____ | Credit Accounts? _____ |
| Remarks _____ | |

Figure 19.--Form used for recording data on active stores for sale.

Several wholesalers expressed the belief that a real estate service is important to the food merchant today since the movement of the metropolitan population is to the suburbs. The wholesaler who is well informed on the direction of this movement will be able to advise the retailers he services on future "hot spot" locations for food stores. In addition, the retailer may be able to purchase the desired real estate at costs much lower than at a future date.

Insurance Service

Although food retailers are constantly subject to risks arising from theft, fire, smoke, and water damages and different kinds of liability claims, many retailers fail to recognize the importance of carrying adequate insurance. Some wholesalers, recognizing the seriousness of this problem, and also the fact that their sales volume is directly affected by any loss that may occur to their retailers, are attempting to help obtain protection for their retailers and indirectly themselves by keeping the retailers advised on their insurance needs, making sure that premiums are paid as they become due, and, if a loss of any kind occurs, endeavoring to get the claim settled as quickly as possible.

Among the wholesalers contacted there were only two who offered an insurance service to their retailers. They felt that by relieving the retailers of their insurance problems there was an opportunity to obtain customer appreciation and good will at a relatively low cost. It was pointed out that with the wholesaler's knowledge of the retailer's

One of the wholesalers interviewed is already running an employment service for his retailers as he is convinced that such a service can be of great help to the retailer for the following reasons: (1) Since the retailer must of necessity spend most of his time in the selling end of his business, he does not have available the time required to screen and select applicants properly; (2) most retailers employ a small staff as compared with the large chain stores and therefore often do not have immediate help available if they find themselves short-handed; (3) the wholesaler may be better qualified than an employment agency to determine the qualifications of an applicant for a retail grocery store; and (4) the wholesaler can have a larger list of applicants to select from than has the retailer. The wholesaler remarked that the employment service properly operated should help to build better retailers since they would be supplied with personnel capable of carrying out the functions of various departments within the store.

Employment information is obtained by this wholesaler from two principal sources--the newspapers and local employment offices. A file of all prospects is maintained and referrals are made from this file as rapidly as possible when help is needed. A file card for this purpose is shown in figure 21.

In informal ways, many wholesalers and their salesmen are helping their retailer customers to obtain store personnel. Preliminary observations indicated that an organized approach similar to the one described would be more effective in furnishing the retailer with the help he needs. Additional experience and observations in this area would be necessary before an evaluation of the service could be made.

Retail Training Program

Most of the wholesalers appreciated the importance of training given retailers on new and better ways to operate their businesses. Although research is being carried on along these lines at the present time, many retailers do not receive or have time to evaluate such studies. Therefore, some wholesalers have taken upon themselves the responsibility of relaying this information to them. This is accomplished through group meetings, visits by salesmen and supervisors, and bulletins.

Group Meetings

The first and possibly the most successful training method used by the wholesalers is that of having group meetings where many retailers congregate at one place. Such meetings are held either for retailers from a particular district or at some central location where retailers from all the districts attend in a body. The former type of group meeting is considered more effective since a smaller gathering affords each retailer a better opportunity of participating in the discussions. Regardless of the number of retailers attending these meetings, information is given on many

| | | | |
|--|--|---------------------|--|
| : Name _____ | | : Age _____ | |
| : Address _____ | | | |
| : Married () Single () Number of dependents _____ | | | |
| : <u>Present Job</u> | | | |
| : Employers : | | : Job Description : | |
| : 1. : | | | |
| : 2. : | | | |
| : 3. : | | | |
| : Work applying for _____ | | | |
| : How long after receiving notice will you be able to report for work? : | | | |
| : _____ . Do you wish () full-time or () part-time work? : | | | |
| : If part-time specify days and hours you desire to work. : | | | |
| : <u>Days</u> : | | : <u>Hours</u> : | |
| : _____ | | | |
| : References : | | : Address : | |
| : 1. : | | | |
| : 2. : | | | |
| : 3. : | | | |
| : 4. : | | | |
| : Other remarks: _____ | | | |
| : _____ | | | |
| : _____ | | | |
| : _____ | | | |

Figure 21.--Suggested form for recording employee information.

phases of their businesses, such as methods of increasing labor productivity, effective methods of displaying merchandise, and profitable methods of operating produce and meat departments. When the demonstration type of instruction is used, it generally includes both educational and entertainment aspects. For instance, if the object is to teach the retailer how to lay out his store to obtain the greatest efficiency, it is desirable to have a miniature model store. As each point is explained, a demonstration of the point is set up until the entire store or at least a major part of it is completed. Such an educational method keeps the retailers interested by arousing their curiosity about the next suggestion. In addition, if the retailer can see the object itself, the points being stressed will remain in his mind much longer. Films also are shown when possible. Such group meetings are being held periodically by several of the wholesale grocers.

One wholesaler has set up his retail training program after he classifies the subjects to be discussed under three general headings: (1) Produce; (2) meat; and (3) groceries. For produce training, he has a complete produce department set up. Retailers are instructed on how to trim, display, and price the complete produce line. The meat program is conducted along similar lines. An additional feature, however, is added where representatives of the American Meat Institute hold group meetings for this wholesaler's retail members, at which time a carcass of beef is cut up and each cut is individually priced. For grocery training programs, a full-time supervisor is employed to instruct retailers on such subjects as how to build displays and what type of display to use in different sections of the store. At many of these group meetings canned goods of various brands are opened so that the product bearing the wholesaler's private brand can be compared with other brands. It is felt that this method of instruction gives the retailer full confidence as to the value of the product the wholesaler is offering his customers.

Visits by Salesmen and Supervisors

The second method used by wholesalers in training retailers is that of having their salesmen or supervisors, who are trained in merchandising, visit individual retailers with specific instruction features in mind. This method is usually followed when retailers do not attend the group meetings or when they have special problems which require store visits. For instance, one wholesaler finds that the method most acceptable to the retailers he services is to have a supervisor call on them personally and go over each department in the stores, showing them the recommended methods of operation. This approach was found to be particularly successful in wholesale organizations that employ supervisors rather than salesmen.

Several wholesalers felt that trained salesmen and supervisors were in a position to do the most effective training. Since they are in close contact with the retailers, they usually are in position to know his problems, furnish answers, and get the answers adopted more effectively than anyone else in the wholesaler's organization.

The objectives of a supervisor and how they are achieved have been listed by one wholesaler, as follows:

1. To provide liaison between the supply house and retail members,
2. To provide ideas, stimulation, and manual assistance where necessary to retailers for the purpose of improving their businesses through the adoption of modern methods.

At specific intervals these supervisors call on the trade and help the retailers with any merchandising problems they may have. In addition, any new techniques or ideas are passed on to the retailers. Stimulation of the retailer is provided through demonstrations in the store and by comparing other retailers' records with his records. Nominal assistance is given in the keeping of records, store operations, and personnel appearance and training.

Bulletins as a Method of Training Retailers

The third method followed by wholesalers in passing along instruction to retailers is through the use of bulletins. Although this method is the only one used by some wholesalers, other wholesalers feel that the effectiveness of bulletins lies primarily in their use as supplemental material to the two methods discussed above. At times group meetings cannot be held regularly and the bulletin is used to keep the retailer currently informed on new merchandising techniques during the interval between meetings. One great disadvantage in the use of bulletins is the fact that many times the retailer does not have time to read them. He may lay them aside and perhaps forget them or throw them in the wastebasket. Yet, if it is impossible to get retailers together for training purposes, because of a lack of facilities or because of geographical locations, the bulletins should be used since at least some of the retailers will take advantage of the information they contain.

As an example, one wholesaler used the bulletin as a "tool of instruction" to broaden the retailer's knowledge of canned goods. The front page lists the different sizes of cans in most popular use and shows the weight of the cans and the number of servings in each. On the following pages certain pertinent questions were answered, such as "what causes a 'tinny' taste?" and "what about the care of canned foods?" Frequently, in order to sell canned food items to a "fresh user," the retailer is called upon to answer such questions so that the customer will have confidence in the canned substitute for the fresh item she originally wanted.

In place of issuing a separate bulletin some wholesalers devote several pages of their price book to publishing the type of information commonly included in a bulletin. Evidence is not available to evaluate properly the relative costs or effectiveness of the various methods of distributing training materials.

SOME OPERATING PROCEDURES

Operating procedures, as discussed in this report, include the methods used by wholesalers to contact retailers, pricing procedures, and brand policy. The manner in which these selling policies are put into effect depends considerably on the wholesaler-retailer relationship that exists. For example, if the wholesaler is servicing a strong voluntary chain, his contact procedure often can be of a lower-cost type than if he does not serve a voluntary group. In the same manner wholesalers serving a voluntary chain group have found the cost-plus system of pricing more satisfactory than have the wholesalers without such a group of retailers.

Contact Procedure

The wholesalers who cooperated in this study contacted their customers by means of salesmen, supervisors, or "preprinted" order books. Results indicated that some very successful wholesalers are depending almost entirely on the use of preprinted order books and supervisors for this function. For the purpose of this report a distinction is made between "selling" and "order taking." Selling denotes the creation of a desire for an item and order taking is the mechanical process of recording this desire. Therefore, at times persons who are called salesmen are in reality order takers since the retailer was fully set in his desire for the wholesaler's offerings before his representative arrived to do little more than to record this desire.

The Preprinted Order Book

Several wholesalers gave the following reasons for their belief that a preprinted order book distributed several days before the order is picked up could be used advantageously, either alone or in conjunction with a salesman or supervisor:

1. By the use of a preprinted order book the retailer is automatically being reminded of his wholesale grocer's complete line. He can check his stock while he is preparing his order, thereby decreasing the possibility of being out of or low on certain items.
2. The retailer can select the merchandise he wants to order during his spare time, enabling him to make a more complete list of the items he needs.
3. If a salesman is used in conjunction with the preprinted order book, the retailer can have his order ready when the salesman calls. This enables the salesman to spend his time more profitably on the merchandising problems which the retailer might have.
4. The cost of obtaining an order by the use of a preprinted order book is believed to be less than that of obtaining orders by salesmen

exclusively. Printing and mailing cost of an order book, as learned in the course of this study, is from 14 to 20 cents each.

5. The preprinted order book can be used to convey valuable pricing information to the retailer. (See fig. 1). Wholesalers felt that, although salesmen may be used to perform this work, such information is used more effectively when it is in writing.

6. Order books help to remove inaccuracies caused by a salesman's indicating the wrong item on his order or by the illegible writing of a salesman.

7. Administrative and warehousing costs are decreased when order books are used. Many more orders can be processed in a given time by the order clerk and pickers when a printed form is used than when orders are written in long hand. This is particularly true in instances where mechanical accounting equipment is used at the wholesale grocer's headquarters.

Several methods are used in distributing preprinted order books to retailers: (1) By mail; (2) by the delivery man when an order is delivered; and (3) by the salesman. One wholesaler followed the procedure of sending an order book with each delivered order. After the order was completed by the retailer, it was sent to the wholesaler by mail. On receipt of the order at the warehouse, it was routed first to the mail distribution department where it was checked as having been received, then it was checked against back orders to make sure that it was not a duplication. From there it was sent to the mechanical accounting department for tabulation purposes.

Another wholesaler sends order books to his customers by mail every 2 weeks thereby making it possible to decrease the time that the salesman has to spend with each customer. This wholesaler believed that since the customer can look over all the items before the salesman arrives, the tendency will be for the retailer to give a larger order than when the salesman has to enumerate the items. The additional size of the order more than pays the printing and postage cost of 20 cents a book.

Regardless of the method used, it is important that the retailer has an order book in his possession at all times. To keep the retailer currently informed on price changes, a supplemental price list must be sent him whenever price changes occur as the most common practice among the wholesalers was to have their order books printed only once a month.

The Salesman

The wholesalers using salesmen for contacting their customers felt that this procedure has several advantages over that of depending entirely on preprinted order books. Among the advantages are the following:

1. Personal relationship is established between the salesman and the retailer which will at times help meet competition the wholesaler encounters.

2. By making personal calls the salesman can keep the wholesaler informed on competitive conditions within his sales territory.

3. General information relayed to the retailers by salesmen probably will be used more effectively, and will more likely receive proper interpretation than will information sent through bulletins.

In order to maximize the personal relationship advantage, one sales manager followed the policy of selecting experienced salesmen living in the territory he covered. This sales manager wanted his salesmen to be active in community affairs and, insofar as possible, have many of the same social and civic interests as those of his customers.

Most wholesalers had their salesmen call on city customers once or twice a week depending on their sales volume, and on country customers once every 2 weeks. Additional orders could be called in, although in at least one instance these orders would be delivered only if a delivery truck was scheduled to pass nearby. Otherwise the orders were sent by common carrier or held until the next regular delivery.

Most of the advantages attributed to salesmen appear to be almost equally attributable to supervisors. Several wholesalers have combined the use of a supervisor with the practice of distributing preprinted order books several days in advance of the time the order is due. These wholesalers report economies in order taking and, at the same time, increased effectiveness of selling. Most "order book" wholesale grocers have their "contact work" entrusted to supervisors.

Although the trend today is toward the use of preprinted order books rather than salesmen, no wholesaler should substitute one type of contact procedure for another until he has carefully studied his own situation. Such factors as the type of trading area serviced and the attitude of the retailer toward each type of selling procedure should be considered before any policy change is made.

Some effective research is needed in this general area of selling and order taking to supply facts on which the wholesalers can act. The selling and order-taking function represents a major cost to the wholesaler and may be one of the most productive areas in which to work to reduce costs.

Pricing Procedures

Two opinions regarding the pricing procedures which should be used were found among the wholesalers. One group basically believed that all retailers should be charged the same for their merchandise since only then would all merchants, no matter how large or small, or how far they are located from the warehouse, be able to compete on an equal basis.

The second opinion, and possibly the most popular, was that if the large and small stores were charged the same for their merchandise, the large retailer would be penalized for its size since a number of the wholesaler's costs decrease per unit as the order to be delivered to the retailer becomes larger. In addition, it was pointed out that unless concessions were made to the larger retailers some of the wholesaler's most profitable accounts would be lost to competitors offering such concessions.

Although not always recognized as such, most wholesalers reflected some differences in costs in their pricing procedures. Large quantity purchases were usually sold at lower prices irrespective of the system followed. For example, some wholesalers give quantity discounts, whereas others have profit-sharing systems which give the large purchaser a larger share of the profit. Likewise, most wholesalers have recognized the cost of furnishing credit either by giving a discount for cash or charging for credit.

On the one extreme the cost-plus system attempts to reflect a maximum number of differences in costs, and, on the other hand, the delivered price system reflects the least number of differences. In between these two extremes are the f.o.b. warehouse price plus specified delivery charges and the cash-and-carry systems. It is common practice to find several types as well as combinations of these systems in operation in the same wholesale grocery organization.

The system selected may not necessarily lower costs, but it may be chosen as a method of equitably distributing costs for reasons of meeting competition and maintaining the retailers' good will. Therefore, before committing himself to any one system, the wholesaler will wish to consider the advantages and disadvantages of the various procedures in the light of the factors peculiar to his individual operations. For instance, if the existing pricing is too complicated for the retailers, they will become discouraged with it. Other individual factors that should be considered are the type of retailers serviced and whether they are located in an area where the extension of credit is a common practice.

The wholesalers appeared to be less in agreement on the proper pricing system than on other procedures. There appeared to be a considerable quantity of experience available but practically no usable comparisons to determine which system or procedure is best to follow. Such a comparison and analysis would be very useful to the wholesale trade.

Cost-plus System

Among the wholesalers who were contacted, the cost-plus or cost-fee system was used by only one. However, several wholesalers who were not using this system planned to do so in the near future. The wholesalers were of the opinion that this system offers several advantages which other systems do not offer. First, it has been found that most retailers like the cost-plus way of billing since there appear to be no hidden costs. To the retailers such a system appears more authentic than the others,

and their confidence in the wholesaler is increased. The second advantage, as stated by the wholesalers, is that the retailers can see the price advantage of quantity purchases. Thus, they are stimulated to strive for a larger turn-over of their merchandise and to concentrate their purchases toward fewer wholesalers.

When the cost-plus system is being considered by a wholesaler, he should first determine what means are available for calculating such costs as handling, storage, investment, delivery, order routine, and promotion. Since these costs must be allocated to each item in the warehouse, and since prices fluctuate from day to day, it is advisable for the wholesaler to consider the use of mechanical accounting equipment for arriving at such cost figures. This is especially true if a large number of items is distributed by the wholesaler.

F.O.B. Warehouse Price with Specified Delivery Charges

The f.o.b. warehouse price with specified delivery charges was found to be one of the most widely used procedures for pricing the merchandise to the retailer. The wholesalers who use this pricing system contend that its advantages lie in the fact that the f.o.b. warehouse price is relatively simple to compute, easy for retailers to understand, and still takes into account one of the most obvious differences in costs of servicing the retailers.

It was reported that this system has a competitive disadvantage. For example, if wholesaler "A" services retailers in a city 50 miles from his warehouse, he may have to compete with wholesaler "B" located in that city. With equal operating costs, "B" may be able to underprice "A" since he must add a transportation cost to his base price, whereas "B" would have little or no transportation cost to add to his base price.

Cash-and-Carry

Wholesalers who operate cash-and-carry departments generally use them in conjunction with one of the other pricing systems. One wholesaler listed four main advantages in the use of this method of pricing. First, it helps to eliminate the necessity of delivering to retailers who buy small or broken lots of merchandise. Many times such orders are not profitable if handled in the regular manner since the delivery costs are abnormally higher. Second, it enables new retailers and those short of working capital to operate their businesses with much smaller back-room inventories than would be required if they ordered through salesmen. The third advantage found in this system is that the servicing of many small retailers who otherwise would not be serviced adds to the wholesaler's volume and, if properly handled, to his net profit. A fourth advantage pointed out by a wholesaler who handles a private brand of canned goods is that the cash-and-carry pricing system helps to extend the distribution of that brand. Such a system enables the wholesaler to place his controlled brand in stores other than those to which he delivers regularly.

Since the usual cash-and-carry order is small and contains many broken cases it is more costly to assemble on a per item basis than are larger orders. Some wholesalers have been successfully reducing order assembly costs by adopting a self-service type of operation. In some cases a section of the regular warehouse has been set aside, and in other cases where a separate cash-and-carry warehouse is used the entire warehouse is converted to a self-service operation. The merchant customer assembles his purchases by using a large-sized dolly, in much the same manner as that of a housewife who selects her wares in a self-service retail store. When the merchant has completed assembling his order it is checked out and paid for at a special type of check stand. Successful operation of this system requires good organization of the picking lines and safe-guards against excess breakage and damage.

Delivered Prices

The oldest pricing system in use by wholesale grocers is the traditional one in which there is no price differentiation. All retailers, regardless of size or location, are charged the same for merchandise. Two advantages were found in the use of this system. It is simple and is easily understood by the retailers since they do not have to contend with various cost factors in arriving at the price they pay. This also eliminates a certain amount of paper work for the wholesaler. Second, since it is the policy of most wholesalers to base their prices on what competition will allow, this system affords greater flexibility in making price changes.

Two disadvantages were also observed. Under a strict application of this pricing procedure retailers making large purchases, located near the warehouse and paying cash, help absorb costs of other retailers not so favorably located. Second, such a system does not offer the retailer any incentive to increase the size of his purchase order.

Brand Policy

The wholesalers who cooperated in this study handle both the private and the nationally advertised brands of certain types of merchandise, particularly canned fruits and vegetables and coffee. The type of consumers that make up the trading area, the length of time the wholesaler has been in business within that area, and the brand policy the wholesaler's competitors follow, all influence the brand policy followed by a particular wholesaler.

Private Brand

Before the wholesaler decides to feature a private brand he should consider the type of consumers within his trade area. If there are many of the transient type, they may hesitate to buy a brand with which they are not familiar.

Wholesalers who promote their own controlled brand contend that their line has several advantages over the nationally advertised brands. The first lies in the fact that it often can be purchased at a lower price than the nationally advertised merchandise of the same kind and quality. This allows the wholesaler to sell his merchandise as low or lower than the nationally advertised brands and still make a satisfactory margin.

A second advantage that distributors of controlled brands believe they enjoy concerns the quality of the product. It was claimed that the processor of the nationally advertised brands often contracts for his products while they are in the growing stage and, therefore, often will process the existing crop even though it is not of the highest quality. The private brand wholesaler usually does not operate in this manner. He establishes specifications that the various products must meet and receives bids from a wide range and choice of independent canners. If he discovers that the products do not meet the established specifications, he does not accept them and they are sent back to the processor at the latter's expense. This helps the wholesaler to maintain a quality of merchandise which meets the specifications he has established.

Nationally Advertised Brand

Although none of the wholesalers handled the nationally advertised brands exclusively, they recognized several advantages in stocking them. Most of the wholesalers felt that they had less advertising, selling, and sales promotional expenses for these brands than for the private brands. In some markets the fast turn-over of the nationally advertised brands more than compensates the retailer for the smaller margin he may receive.

Another advantage arises from the fact that the national brand processors have specialty men in the field doing promotional work. They often take orders from retailers and turn them over to the wholesaler who services that particular trade area. It is possible then for the wholesaler to receive orders from retailers he has never sold to before and thus acquire new customers.

Perishable Food Operations

Many wholesalers were contemplating the extension or addition of the frozen foods, produce, or meat lines to their wholesale operations. Such policy changes have been considered for several years but because of the additional facilities required they were not put into effect. In addition, since the merchandising of perishable goods is fairly new to the grocery wholesale field, many wholesalers are still dubious as to whether they should add this line to their dry grocery operations. Research to determine the most effective methods for grocery wholesalers to merchandise and handle perishable food products is needed.

Frozen Foods

At the present time five of the nine wholesalers who cooperated in the study on which this report is based service their customers with frozen foods. The reasons given for the addition of this line are:

1. The addition of the frozen foods line will make it possible for the retailer, once he has confidence in the grocery wholesaler, to transact his business with fewer wholesalers. This then will allow him more time to spend on his store operation.

2. The addition of frozen foods will make the retailer's order size larger than it would be if the wholesaler's service included only dry groceries. Since order size is directly related to the relative profitableness of a retailer's account, this is an important consideration.

3. The handling of frozen foods partly eliminates the necessity of stocking certain highly perishable produce items by the retailer. In an effort to satisfy customers, many small retailers overstock highly perishable fresh produce items and as a result experience relatively high losses through spoilage. By eliminating the handling of highly perishable produce items and, instead, carrying these items in his frozen food line, the retailer will be able to partially satisfy the homemaker and at the same time reduce his and the wholesaler's losses resulting from handling the perishable fresh items.

Although there would be some advantages in the adding of the frozen food line to present business operations, two specific disadvantages which should be considered are: (1) Need for additional capital and facilities; and (2) need for new skills and knowledge.

At the present time it appears that most wholesalers do not have the required capital or space to expand their present operations. In addition to capital required for warehouse facilities, funds are required to invest in frozen food cabinets which often must be supplied for retailers. Although the wholesaler might have the necessary capital he does not always have the space available to enlarge his warehouse. This condition exists with many wholesalers today as little building has been done in the grocery wholesale trade since 1940 whereas the volume of business in some cases has doubled or tripled. Therefore, at the present time these wholesalers often do not have adequate facilities or space to carry on their dry grocery business, much less the frozen food business.

The skills and knowledge required in the operation of a frozen food department differ from those which are required in the operation of the dry grocery, produce, or meat departments. Since this line of merchandise is relatively new in the food industry there are not too many qualified to direct the operation of this department. The possibilities are that the wholesaler will not only have to select a competent person to be

trained in the physical handling procedures but also in buying and selling methods since they differ from those concerned with dry groceries.

One wholesaler, although having no available warehouse space for expansion purposes at the present time but realizing the advantages in the addition of a frozen food line, has rented the required amount of storage space from a nearby ice plant. All orders are assembled at this plant and then brought to the warehouse where they are integrated with the dry grocery orders.

Another wholesaler operating a streamlined warehouse added the frozen food line about a year ago. Up to the present time the demand for frozen foods has been so great that the storage locker has already been expanded to twice its original size and plans for further expansion are now in process.

A third wholesaler stated that his frozen food sales increased from \$230,500 in 1946 to \$703,000 in 1951. The 1951 sales of frozen foods accounted for 5.4 percent of this organization's total sales whereas in 1946 frozen food sales accounted for only 2.5 percent of total sales. Such an increase in popularity of this item would appear to be a good reason why wholesalers should consider the addition of it.

Produce

Five of the nine wholesalers visited furnished the retailers they serviced with a produce line. The reasons given for the addition of this line to their dry grocery operations parallel most of those given for the addition of the frozen food line. Produce items have proved to be profitable to the wholesalers in question since they obtain relatively large margins and are still able to maintain prices as low as or lower than those of the commission merchant or wagon jobber. Also, by the addition of this line the wholesaler can service the retailers with a more complete line of merchandise, thus eliminating the necessity of having other wholesalers service the same retailers. In addition, the delivery charges per unit of merchandise are decreased since the retailer's orders are larger than they would be if produce were not included.

The produce operations are usually separate from other operations in the warehouse. The produce items are usually assembled separately and then sent to the loading platform where they are integrated with the balance of an order going to a particular store.

Many wholesalers expressed the opinion that there is still room for much improvement in the storing and assembling of produce items. For instance, in the majority of cases, these items are not arranged so they may be found at all times in the same place.

Fresh Meats

Although only one of the wholesalers visited operates a meat department others anticipate doing so in the near future. The establishment of a meat department by this one wholesaler is an outgrowth of the shortage of meat during the war and was conducted on a nonprofit basis for the benefit of the voluntary group of stores he serviced. The quality and price of this wholesaler's meats are considered by him to be as good or better than those available from other sources in his trade area. Merchandising of this item is also considered more effective than by the packers' representatives since the promoting is done by specialty supervisors who are permanent members of his staff.

Two wholesalers who were not certain whether they could service their retailers with a meat line as reasonably and efficiently as could the meat packers, have made arrangements with two large meat packers to have one of the packer's representatives located permanently in their warehouses. This representative works directly with the retailers on promotional sales and keeps them advised by holding periodic training sessions and by visits to their retail stores on new and better methods of displaying and cutting meats.

Another wholesaler who contemplates the addition of the meat line to his grocery business is doing so in order to service the retailers with a complete line of food items. This program, it was thought, would lead to a uniform quality of meats and enable the wholesaler and retailer to make their advertising more effective.

Since present experience in handling and merchandising of meats by the grocery wholesaler is limited, research in this area would be very helpful to them. Wholesalers are proceeding slowly with the addition of a meat line since they have not determined whether such a move will be profitable.

* * * * *

In the preceding pages there have been reported ways in which some of the more progressive wholesalers have been building successful retailers. These wholesalers attribute much of their success to the practices currently being followed. It is expected that in these practices other wholesalers may find ideas which they can adopt to improve their operations. In order to evaluate and make suggestions for improving present methods, detailed studies of individual operations must be made. Many of the areas where additional research would be productive have been pointed out in the report. It is contemplated that, in cooperation with the trade, detailed studies will be undertaken to improve current wholesaling practices. Additional research is needed on the number and kind of retailers using

the services being offered by many wholesalers. Reasons why more retailers are not using the services, the opinion of how the services can be improved, what new ones should be added and which ones should be dropped should prove very helpful to wholesalers.



