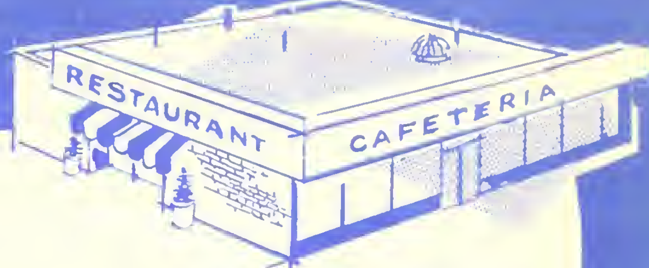

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Policies and Practices of Some Leading INSTITUTIONAL WHOLESALE GROCERS

U.S. DEPARTMENT OF AGRICULTURE
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PREFACE

This study dealing with the operating policies and practices of institutional grocery wholesalers is part of a broad program of research aimed at expanding markets for farm products by development of methods for reducing costs and increasing the efficiency of food wholesaling and retailing.

In 1958 consumers spent about 25 percent of their food dollar, approximately 15 billion dollars, for meals eaten away from home. The share of food products entering into domestic civilian distribution marketed by food service establishments increased from 13 percent in 1938 to 17 percent in 1958. These food service establishments such as restaurants, hospitals, schools, and hotels are the market served by institutional grocery, meat, produce, and specialty wholesalers. The operating costs of institutional grocery wholesalers in 1954 were estimated to be 15.4 percent of the cost of merchandise to their customers

Marketing costs are high for many food products and improvements in marketing practices offer possibilities for substantial savings. Research is going forward along many lines to achieve these savings. To the extent that such costs can be held down, their burden on both consumers and producers is reduced, and the often wide spread between what the farmer gets for a commodity and what the consumer pays for it at retail can be minimized.

Marketing costs and losses normally are reflected back to the farmer in lower prices, or to the consumer in higher prices, or both, as competition among traders gradually adjusts cost and margin levels. The reduction of these costs, therefore, can benefit all in the food and fiber industries--producers, processors, distributors, and consumers.

ACKNOWLEDGMENTS

This study was conducted under the general direction of R. W. Hoecker, head, Wholesaling and Retailing Section, Transportation and Facilities Branch, Marketing Research Division, Agricultural Marketing Service.

Harold O. Smith, executive vice president, United States Wholesale Grocers' Association, assisted in the planning of the study and cooperated in working with the trade.

Special credit is due to the institutional wholesale grocery firms which participated in the study. Among these were: Consolidated Foods Corporation, Distribution Division, River Grove, Ill.; E. G. Forrest Company, Winston-Salem, N. C.; The Haserot Company, Cleveland, Ohio; Lee and Cady, Hotel and Institutional Division, Royal Oak, Mich.; Potter-McCune Company, McKeesport, Pa.; Salley Grocer Co., Inc., Shreveport, La.; and Harry Tappan and Sons, San Antonio, Tex.

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SUMMARY

Institutional wholesale grocers receive carload and truckload shipments of food and related products from suppliers, store them in warehouses, and then sell and deliver them to food service institutions, such as restaurants, hotels, schools, hospitals, government establishments, caterers, and public and private clubs.

This report describes some of the operating policies and practices used by some leading institutional wholesale grocers who are attempting to better serve food service operators for their mutual benefit. The future course of institutional grocery wholesaling, as seen by key executives of the firms studied, is also covered. Case studies were made of nine selected wholesaling firms whose annual sales to food service operators ranged from slightly less than $1 million to almost $5 million. The manner in which the physical handling operations were performed often depended upon the sales volume of the wholesaler, the size and working hours of the warehouse crew, and the types of facilities and equipment operated by the wholesalers.

Two methods of reducing order selector travel time were observed: One of the wholesalers provided salesmen with a scratch order form broken into sections corresponding to the six major sections within the warehouse. Thus, when orders were transcribed to standard order forms, items were listed in approximately the same sequence in which they would be selected. The other method was used by those wholesalers who had automatic tabulating equipment which lists items on the invoice in sequence with warehouse locations.

Methods of handling less-than-full cases of merchandise ranged from breaking cases during the selection operation to repacking items prior to placing them in the selection line.

Factors which helped buyers to establish reorder quantities were: (1) Current sales volume, (2) desired rate of inventory turnover; (3) quantity discounts, (4) freight rates, (5) warehouse costs and storage space availability, (6) ordering in multiples of even pallet loads, and (7) market conditions concerning both quality and price. Decisions as to whether items would be added to or deleted from stock were made either by a merchandise committee, key executives, or buyers.

Personal visits by salesmen were the principal means used to contact customers. The primary responsibilities of salesmen were to: (1) Develop the proper knowledge for their job, (2) develop good customer relations, (3) sell merchandise, and (4) recommend credit terms for specific customers and collect accounts. The three basic sales compensation systems used by the wholesalers were: (1) Commission on generated gross margin; (2) commission on net sales; and (3) salary, commission, and bonus.

Credit terms ranged from "trip-to-trip" to 30 days, according to the size of the account, credit rating, and paying habits of the customers. Credit losses averaged .12 percent of net sales and ranged from .002 to .25 percent of net sales. All the wholesalers felt that customers would resist cash terms if required by wholesalers, and a few expressed the probability that any savings to them as a result of cash terms would be offset by increased costs of operation elsewhere.

Merchandising aids such as table tents, back-bar streamers, and menu clip-ons were distributed to customers by the wholesalers. Some wholesalers also assisted customers with menu planning, recipe planning, and portion control. Often, management aids such as site selection and layout of equipment and facilities were extended to customers by salesmen on an individual and informal basis.

Various means were used by the wholesalers to control costs of operation. One used an account classification system of accounting which enabled management to pinpoint responsibility for any particular function being performed and permitted the various department heads to determine how effectively they were performing. Two assembled and analyzed information on labor productivity. A few required their drivers to maintain delivery manifests, and one further required his drivers to submit daily summary reports of their activities which were later analyzed to determine the average number of cases per order and the dollar value per order. Seven of the nine firms studied used generated gross margin data as the primary source of information for sales control.

Some of the interviewees felt that preprinted order forms or directories could be used effectively by institutional wholesalers, while others felt they were not practical. However, all the wholesalers were in agreement that preprinted order forms could not eliminate the need for salesmen calling on the trade.

Most of the wholesalers felt they could get customers to increase their average order size by adding additional lines of merchandise to those they presently handle.

Possible changes in the structure of institutional wholesaling were discussed by many of the interviewees: (1) Wholesalers presently serving both food service operators and retailers likely will begin to realize the importance of the institutional market and will devote more attention to it than they have in the past; (2) cash and carry outlets are not expected to develop to a significant extent; (3) hotel and restaurant buying groups might develop which will be comparable to the cooperative groups which have developed in general grocery wholesaling; (4) a cost-plus type of operation could develop in institutional wholesaling as a result of institutional wholesalers keying their operations to large food service operators or by specializing in servicing certain types of food service operators; (5) the distribution of less-than-full-case units of merchandise through a truck jobber may be more economical than institutional wholesalers handling this merchandise themselves.

Some of the services which might be offered to customers on an extensive basis in the future are a recipe and menu service, information on portion control and product usage, site selection service, personnel placement service, and an accounting service.

Although the wholesalers are anticipating a need for expanding certain services, they are also anticipating a need for reducing certain services presently extended. Less frequent deliveries and a realistically established minimum size order which will be delivered are anticipated. However, the primary objective of the wholesalers remains the same, to provide adequate and effective service for their customers.

POLICIES AND PRACTICES OF SOME LEADING INSTITUTIONAL WHOLESALE GROCERS

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INTRODUCTION

Institutional grocery wholesaling is a function of food distribution in which carload and truckload shipments of food and related products are procured from packers, manufacturers, and other suppliers, moved into a warehouse, stored, and then sold and delivered to food service institutions. These operations require a vast amount of physical handling, coordination of wholesaling and food service functions, and detailed record keeping.

Among the types of food service customers supplied by institutional grocery wholesalers are airline caterers, amusement park concessionaires, ball parks, cafeterias, caterers, dairy bars, drive-ins, governmental institutions and establishments, hospitals, hotels, in-plant feeding establishments, motels, public and private clubs, restaurants, river boats, schools, soda fountains, and summer camps. These customers vary in size from multimillion dollar operations to annual sales volumes of less than a thousand dollars. Services such as personal sales calls, delivery, and supplier credit are usually extended to food service customers.

The institutional wholesaling industry appears to be on the threshold of a period of rapid change such as the general grocery wholesaling industry has been undergoing in recent years. Institutional wholesalers occupy a strategic position in the food distribution industry for assuming leadership in cooperative activities designed to make food service operators more efficient and effective. Many wholesalers are taking advantage of their strategic position by extending assistance to their customers and helping them reduce their costs of operation. By so doing, the wholesalers are not only helping their customers, but they are also attempting to strengthen their own competitive position.

Approximately 25 percent of the consumers' food dollar is spent for food away from home. In view of the importance of the food service market, an increasing number of grocery wholesalers are beginning to look upon this market as one worthy of developing on a specialized basis.

The primary objectives of this study were: (1) To define the operating policies and practices of some successful institutional wholesalers; and (2) to ascertain what services wholesalers are extending to customers to help them operate more efficiently and effectively.

Data for this study were obtained from nine institutional grocery wholesalers in the East, South, Midwest, and Southwest. Primarily, wholesalers were selected to participate in the study on the basis of an industry reputation for conducting an above-average operation of their type. The operating policies and practices of each of the wholesalers were observed and case studies were prepared for each firm. Three of the wholesalers served food service operators exclusively; three firms had separate divisions through which they served the institutional market; and three had combined institutional-retailer operations. However, all the wholesalers observed in this study have adapted their operating practices to meet the specific needs of food service operators. Wholesalers' institutional sales volumes ranged from slightly less than $1 million to almost $5 million annually.

Although the operating policies and practices described herein are used by some highly successful institutional grocery wholesalers, some of these policies and practices may not fit the specific needs of other institutional grocery wholesalers, or may have to be adapted to fit different situations or local operating conditions. This report furnishes ideas and shows answers found by some institutional wholesalers, but does not aim at a complete or final solution. Further study of methods will be undertaken for the purpose of additional analysis and evaluation of present practices as an aid to the development of more effective operating techniques.

PHYSICAL HANDLING OPERATION

The physical handling operations of the products distributed by institutional grocery wholesalers center around the warehouse and include receiving, shipping, and delivery of merchandise. Warehouses operated by the nine institutional wholesalers observed in this study ranged from old multistory buildings in congested downtown locations to modern one-floor buildings located in suburban areas. Warehouse sizes ranged from 14,000 to 500,000 square feet. However, the average size warehouse, excluding the two largest ones, 1/ was 42,000 square feet.

All the wholesalers had facilities for receiving and shipping merchandise by motortruck, and all the motortruck receiving platforms approximated truck-bed level. Only one wholesaler did not have rail receiving facilities.

Receiving Procedures

Time of unloading depended primarily upon the size of the wholesaler and the size of the warehouse crew. The larger wholesalers generally had separate crews whose primary responsibilities were to unload, receive, and store merchandise. The smaller wholesalers usually maintained warehouse crews for performing receiving as well as shipping functions. Consequently, the larger wholesalers had more flexibility in receiving, while the smaller wholesalers usually performed receiving functions after their own delivery trucks were dispatched.

1/ The two largest ones are excluded because they are considerably larger than all the others combined and were used for wholesaling to retailers also.

Some wholesalers notified the receiving crew of the quantity to be received, while others had their receivers receive "blind." These latter wholesalers required their receivers to count all incoming merchandise and fill out a receiving report which they forwarded to the office. As a method of checking, the receiving report was compared with the invoice prior to payment.

Some wholesalers checked incoming merchandise as it was pulled out of the car, some left it on the platform until it was checked, and one wholesaler moved the merchandise to the vicinity of the storage location and left it in the aisle until it was checked. After the merchandise was checked, the forklift operator placed the new behind the old.

Rail Receiving

Four basically different methods of unloading a boxcar were observed: Conveyor, 4-wheelers, pallets, and pallets placed sideways on semilive skids.

The conveyor method consisted of setting up a conveyor in the boxcar, placing merchandise on the conveyor, and removing merchandise from the conveyor to final storage.

When merchandise was loaded onto 4-wheelers, the 4-wheelers were pulled out of the boxcar and into the warehouse where four or five were coupled together and towed to the appropriate storage location. Merchandise was then removed from the 4-wheelers and stacked manually by the receiving crew.

Rail receiving by pallets was handled in numerous ways. For the most part, men were assigned to load merchandise on pallets and pull the pallets out of the boxcar where another person or crew would check the merchandise and move it to storage by using a low lift hydraulic jack, an electrically operated jack, or a forklift truck. Detachable lift jacks were used to move semilive skids.

The single wholesaler who did not have a rail receiving dock at car-bed level loaded merchandise on pallets, pulled the pallets to the car door, picked them off with a forklift, and moved them to storage.

Truck Receiving

All the wholesalers had truck receiving docks which were at or near truck-bed level. In many cases the receiving dock was the same as the shipping dock. Consequently, these firms usually attempted to schedule receiving after their own delivery trucks had been dispatched.

The same general procedures as were observed for receiving merchandise by rail were also observed for receiving by motortruck. The basic difference between the two was that the shippers' drivers usually loaded the merchandise onto pallets or 4-wheelers and pulled them from the truck to the platform.

Order Selection

The average customer order contains a small number of items, relative to the number stocked by the wholesaler, and few items are ordered in multiple units. This is a fundamental characteristic of institutional wholesaling. The difference between retailer wholesaling and institutional wholesaling in this respect is considerable. While the average size food service order for four of the institutional wholesalers studied was 12 pieces, the average size order for a wholesaler serving mostly small retailers and superettes was 91 pieces, and the average size order for a large wholesaler with a strong voluntary group of superettes and supermarkets was 392 pieces (table 1).

Table 1.--Average and range of order sizes for three kinds of food wholesalers

Type of wholesaler	Average order size	Range of order sizes
	Pieces	Pieces
Four institutional wholesalers........	12	1-260
Small wholesaler serving small stores and superettes 1/....................	91	10-367
Large wholesaler with strong voluntary group of superettes and supermarkets 1/.........................	392	10-1,300

1/ These wholesalers were not included in this study.

A large proportion of the institutional orders were small--half of them were for 7 pieces or less, whereas half of the orders for the small wholesaler serving food stores were for 80 pieces or less. The small wholesaler serving food stores stocked about 2,000 items, which was about the same as the number stocked by the four institutional wholesalers.

The characteristically small size of institutional orders requires that order selection be organized to avoid excessive travel time by order fillers. Some wholesalers accomplished this by shortening the selection line and by arranging the order form to facilitate the order filler picking several orders on one trip through the selection line.

Although in most of the warehouses observed order filling was done from the regular storage area, two wholesalers had special selection lines. Racks were used on which pallets could be stacked two or three high to hold two or three items in each position. Items were then arranged in the selection lines so that faster moving items were lower down on racks to facilitate picking and near the end of the selection line to reduce the load on order fillers' selection trucks. The selection lines were periodically refilled from reserve storage by use of forklift trucks.

A third wholesaler was planning a conveyor system in his warehouse to effect a shortening of the selection line. He planned to have a shipping clerk call the order to order fillers stationed in assigned sections of the warehouse. 2/

When salesmen write the customers' orders on standard order forms, items are listed in random sequence relative to the warehouse sequence of items. If order fillers use these order forms for warehouse selection, they find it is difficult to fill several orders on one trip through the warehouse without spending a large amount of time backtracking to pick up items overlooked. To avoid this situation one of the wholesalers had a scratch order form divided into sections corresponding with the six major storage locations in the warehouse (fig. 1). 3/ Salesmen used this form to make notes of orders when talking with customers, listing each item in the appropriate section as it was ordered. When the salesmen later transcribed orders to the standard form, the items were listed in approximately the same sequence in which the order filler would select them when following an orderly path through the warehouse. Wholesalers who had automatic tabulating machines also listed items on the invoice in the sequence of warehouse location.

Selecting Full Case Units

Most of the wholesalers filled orders the afternoon or night before scheduled delivery, while a few wholesalers assembled city orders the day of scheduled delivery and country orders the day prior to scheduled delivery to insure that country delivery trucks got an early start. Order selectors usually picked up their pull sheets at the warehouse foreman's office which was generally located near the shipping platform and in close proximity to where the order selector would complete a selection cycle and be ready to start another cycle. However, some order selectors had to travel a considerable distance or backtrack after completing a selection cycle to obtain additional pull sheets.

For the most part, the paths followed by order pickers during the course of selection depended upon the locations of the items needed to fill the orders and the order pickers' knowledge of warehouse locations. This was especially true when warehouse locations were not specifically designated on the pull sheets.

The most prevalent method of order assembly was for the order selector to pick up enough orders to fill a 4-wheel handtruck and to proceed through the

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2/ For a description and evaluation of this method of order assembly see Bouma, J. C. and Lundquist, A. L., Methods of Increasing Labor Productivity in Multistory and Small One-floor Grocery Warehouses, U. S. Dept. Agr. Mktg. Res. Rpt. 142, Nov. 1958, p. 17.

3/ For a discussion of merchandise locations in general grocery warehouses see Bouma, J. C. and Lundquist, A. L., Grocery Warehouse Layout and Equipment for Maximum Productivity, U. S. Dept. Agr., Mktg. Res. Rpt. (in press).

An order form designated for use with automatic tabulating equipment is shown in Bouma, J. C., Methods of Increasing Productivity in Modern Grocery Warehouses, U. S. Dept. Agr., Mktg. Res. Rpt. 94, June 1955, p. 17.

NAME

ADDRESS

SHIP

1. Condiments, Seasonings, Pickles & Olives

2. Jams & Jellies, Meats & Fish, Milk, Beverages, Misc.

3. Fruits, Juices

4. Syrup, Desserts, Soap, Soups

5. Vegetables, Paper

6. Baking Supplies, Farinaceous

Figure 1.--Scratch order form used by some institutional salesmen.

warehouse until all his orders were completed. When more than one order was placed on the 4-wheel handtruck, the order selector would keep the orders segregated by stacking each customer's order on a separate section of the handtruck. Loaded selection trucks were usually left on the loading platform. Some wholesalers indicated on the order form the specific shipping door where each completed order should be left.

Another method of order assembly was to preassemble orders on a truckload basis and later reassemble the load into individual customer orders. The two wholesalers who used this method operated from multistory warehouses, but each used somewhat different selection procedures. By one selection procedure the order pickers on the various floors assembled their portion of the orders to be delivered the following day and sent them to the holding area on the first floor by conveyor, elevator, or chute. Fast moving items such as sugar, coffee and certain canned fruits and vegetables were stored on the first floor and were added to the orders at the time of loading. Items requiring refrigeration were preassembled the day prior to scheduled delivery and kept under refrigeration until the truck was ready to be loaded. On the morning of scheduled delivery one order checker and two loaders per truck were responsible for consolidating the orders onto pallets and moving them to the shipping platform.

The other selection procedure involved preassembly of orders on a truckload basis just prior to loading. For items stored on the first floor, the order selectors placed the order forms on a desk in the truck loading area, obtained the item or items from the appropriate storage area, returned to the loading area with the merchandise in their arms or on a 2-wheel handtruck, and placed it in the holding area on the shipping dock. Merchandise on the second floor was selected and stacked near the top of a chute which went to a holding area on the loading platform. After all the second floor merchandise had been selected, one man placed the merchandise on the chute and a man at the lower end shoved it to the flat storage area of the chute where it remained until the truck was ready to be loaded. The shipping clerk using each customer's order form, called off the items to be loaded to two loaders who carried the items from the holding area into the truck.

The third method of order assembly consisted of a shipping clerk calling off items to selector-loaders who obtained the merchandise from storage and loaded it directly into the truck. Selector-loaders used either 2-wheel or 4-wheel handtrucks, depending upon the quantity or bulkiness of the item or items they were dispatched to obtain.

Handling Less-Than-Full-Case Units

Numerous procedures were observed for handling less-than-full-case units (gallons, #10 cans, etc.) of merchandise. Some wholesalers broke cases during the selection operation, others maintained repack rooms, and some did neither.

Most of the order selectors who broke cases during the selection operation repacked the merchandise as they selected. Many left boxes, suitable for repacking, in various places throughout the warehouse for this purpose. However, some did not perform any repacking at all, but simply sent out less-than-full-case units exactly as they were selected from storage.

All four wholesalers who had repack rooms operated them somewhat differently. One had a repacker assigned to each shipping crew who was responsible for filling all less-than-full-case units and certain small but high unit cost items. Prior to order selection, all orders being delivered on any given truck were processed through the repacker who made a list of all the items for which he was responsible. After all the repack items were assembled, they were taken to the platform and loaded on the tail end of the truck. Repacked merchandise was consolidated with the rest of the order at the time of delivery.

Another firm sent full shipping containers to a repack room on the second floor when it was necessary to break a case. All glass items were placed in cardboard boxes, packed with straw, and labeled "Fragile." All repack merchandise sent on country runs was packed in cardboard boxes and stenciled with the name of the customer, while items other than those in glass containers being delivered locally were usually placed in paper bags. Contents were itemized on the outside of each container in order to facilitate order checking. When a pallet load of repack merchandise was ready, the repacker called the shipping office on the intercom set and requested that it be picked up. This merchandise was then stored in the holding area near the shipping platform until the following morning when orders were consolidated prior to loading.

Another wholesaler forwarded a copy of the order form to the repack room whenever less-than-full-case units or other repack items were required. The items were repacked into cartons and the name of the customer or the invoice number was written on the outside of each box. The repacker also indicated the total number of repack boxes for each customer's order. After each box had been repacked, it was placed on a counter directly behind the repacker where order selectors picked up the repacked boxes and consolidated them with the proper order on the selection truck.

The fourth method of handling less-than-full-case units consisted of breaking down into predetermined size sale units a number of cases of those items which are normally sold in less-than-full-case units. After being broken down in an area adjacent to the selection line, these items were placed in their own selection line slot locations and were selected along with the rest of the orders. The wholesaler who used this method also maintained a room for small high value items. Personnel working in the "valuables" room received a separate copy of all orders requiring anything stored in that room. After the merchandise was repacked, the repacker wrote the customer's order number on the box and the number of items in the box. Repacks were then sent to the appropriate shipping door, as indicated on the order form, where they were consolidated with the rest of the order.

Order Checking

Most of the wholesalers checked their orders for accuracy just prior to loading the truck. The checking procedure usually involved comparing the item description and quantity ordered against the quantity assembled.

One of the smaller wholesalers did not check his orders at all, but sent them out as they were selected. This wholesaler was well pleased with results obtained through not checking. He commented that the great expense and time required to check orders were not justifiable because of the small number of errors detected when all orders were checked. This wholesaler also felt that since drivers checked the orders with the food service operators, warehouse checking was unnecessary.

Loading Delivery Trucks

About half the wholesalers loaded their delivery trucks the evening before scheduled delivery while the other half loaded them the morning of delivery. Most wholesalers who loaded in the morning usually had the driver perform the loading operation. Those who loaded at night either had a separate loading crew or had the order selector assist the checker with loading. In those firms where individual parts of the orders were loaded as they were selected, the selector-loaders loaded the trucks.

For the most part, 4-wheel handtrucks or pallets were either moved into the truck and unloaded or moved to the tailgate of the truck and unloaded. All the firms attempted to keep customers' orders segregated on the truck by stacking all of a customer's order together. The delivery stop number or customer order number written on each case of merchandise by most of the wholesalers aided in this respect.

Delivery Procedures

Straight body trucks in 1- to 2-1/2-ton sizes and tractor-trailers were used for general delivery by the companies observed in this study. The straight body trucks were usually used for deliveries to downtown or congested areas. Tractor-trailers were used predominately for distant shipments by the wholesalers who supplied retailers as well as food service operators.

Although a few of the wholesalers had relatively new warehouses with shipping platforms designed to accommodate the trucks of their choice, the types of trucks used by most of the wholesalers were dependent upon the heights of their shipping platforms. One wholesaler had all of his trucks equipped with a door on either side, as well as the full door in the rear, to facilitate unloading from any available parking position.

Some used a small panel truck or a station wagon to deliver emergency fill-in orders to avoid tying up larger delivery equipment.

Most of the wholesalers owned and operated their own delivery fleets. However, several of them contracted with independent truckers who furnished the trucks as well as drivers. In a few instances, the wholesalers leased trucks and furnished drivers themselves. A few also used the facilities of common carriers for shipments beyond their normal shipping points.

Although most of the wholesalers who own and operate their own delivery fleet felt they could perform the delivery function more efficiently than contract carriers, none had determined which system would better satisfy their needs. However, some of the wholesalers would like to see a systematic comparison made of the alternative methods of delivery.

The wholesalers who leased trucks or contracted with independent truckers generally gave these reasons for following this course of action:

1. No investment in equipment is required.
2. Deliveries are made on new up-to-date equipment.
3. The wholesaler does not have to concern himself with truck maintenance.
4. The responsibility for employment of drivers and dealing with the union is transferred from the wholesaler to the contractor.
5. Exact delivery costs are known.

Delivery trucks were usually routed by the warehouse foreman or superintendent on the basis of his knowledge of the routes. Some routed their trucks so that the stop closest to the warehouse was delivered first and the stop furthest from the warehouse was delivered last in order to pick up backhaul merchandise from suppliers. Other trucks were routed in a circular or elliptical pattern so that drivers would deliver their first as well as their last order near the warehouse and so the truck would not travel any appreciable distance empty. Other factors considered in routing the trucks are delivery times requested by customers, parking restrictions, location and approaches to certain establishments, and various traffic conditions in certain areas at certain times during the day. In some firms salesmen or drivers provide warehouse foremen with recommended sequences for routing trucks.

The frequency of delivery schedules depended in part on the volume of sales made in any given geographical area. Most wholesalers serve their major downtown areas on a daily basis. However, other customers were served weekly, biweekly, or monthly depending primarily upon their distance from the wholesaler's warehouse.

BUYING PROCEDURES AND PRACTICES

The large wholesalers organized their buying function by having a full time buying staff consisting of a head buyer and one or more buyers, each responsible for buying certain classes of commodities. In medium-size companies executives were usually responsible for buying certain commodities in addition to their other duties. Often, in smaller companies certain clerical employees bought fast moving, non-speculative, standard items under supervision of a principal executive who bought all other items in addition to his other duties.

Procedures for Buying Regularly Stocked Items

The buying of regularly stocked items involves the questions of when and how much to buy and the mechanics of handling buying orders.

Signals for Buying

The two basic methods used by the wholesalers to determine when to reorder were either review and judgment or established automatic reorder levels. The review and judgment method used by most of the wholesalers involved reviewing stocks on hand or records of periodic physical stock counts and deciding for each item whether to reorder. One wholesaler transferred inventory information from the machine accounting system to a stockbook which buyers used to review stock on hand. Another assigned the warehouse foreman responsibility to watch stocks in the warehouse and submit a daily list of items to be bought.

Two signal systems were used in the automatic reorder levels method to show when an item should be reordered. The firm that used mechanical tabulating equipment had a reorder level card for each item in the tub files. As the card pullers reached the reorder cards, they pulled and sent them to the buyers to indicate that the reorder level had been reached. 4/ The other firm, using manual methods, placed a reorder level card on each stack of merchandise in the warehouse. As the stock of each item reached the predetermined reorder level, the card was removed from the stack and sent to the buyer to signal that the reorder level had been reached. After a purchase order for an item was placed, the card was returned to the warehouse for filing, to be returned to the stack of merchandise when the new shipment was received. An "out-of-stock" card was also kept on each stack of merchandise. If the supply of an item was exhausted before the new shipment arrived, the "out" card was sent to the buyer to signal for emergency followup or other action.

In the review and judgment method, the reorder level for an item is set by the buyer each time he decides to place an order; in the automatic reorder levels method, the reorder level is established after systematic analysis of past experience and remains the same until changed. The wholesalers who used the continuous review method favored it because it allowed more flexibility in handling items affected by seasonal factors and other changes in sales movement, and it was easier to use with manual office procedures. Those who used the automatic reorder levels method liked it because it allowed the buyer to set the reorder level after deliberate consideration of the several factors involved in setting it, and it freed executive time from reviewing inventory and establishing reorder levels so frequently.

Reorder Quantities

Several factors were mentioned by the wholesalers as affecting the quantity of an item to be ordered at any given time. Among these were:

1. Current sales volume, seasonal factors, and special promotion plans that would cause near future sales to change from recent past sales.
2. The desired rate of turnover of inventory.
3. Quantity discounts and other volume considerations as they affect the price of merchandise.
4. Lower freight rates on carload shipments, proximity of suppliers' stocks, and use of their own delivery equipment for hauling freight-in.
5. Warehouse costs and storage space availability.
6. Pallet capacities.
7. Availability of desired quality.

4/ For a discussion of "out" and "minimum" signal cards see Bartz, D. J. and Bouma, J. C., Improved Methods Among Wholesale Food Distributors for Inventory Control, Sales Accounting, and Shipment of Merchandise, U. S. Dept. Agr., Mktg. Res. Rpt. 271, Sept. 1958, pp. 24-26.

Some of the wholesalers gave very deliberate and systematic consideration to many of these factors in setting reorder quantities, in some cases reducing the factors to dollars and cents figures. Others merely attempted to strike a balance between conflicting factors on the basis of experienced judgment. Some reduced the problem to a policy of buying a certain number of days' supply of most items--varying with the wholesalers from 30 to 90 days' supply.

Handling Buying Orders

Some wholesalers had formal and rather intricate procedures for submitting orders to suppliers, while others used very informal procedures. Wholesalers who used purchase orders prepared from two to six copies. Those who prepared two copies sent one to the supplier and maintained the other for their own use. Those wholesalers who prepared more than two copies either sent additional copies to the supplier or forwarded copies to certain members in their own organization. The departments in the organization which might receive copies of all purchase orders are: (1) The buying department for the buyer who purchased the specific item, (2) the accounting department so when the invoice arrived it could be checked against the purchase order or so that a daily computation can be made of how much money need be committed for future payment, and (3) the receiving department to inform the warehouse foreman of what merchandise is expected to arrive. 5/

Two wholesalers did not usually submit formalized purchase orders to suppliers. One of these, a small wholesaler, used three different methods of submitting orders: Airmail postal cards, for the most part, were forwarded to suppliers; orders were also placed through salesmen of suppliers and brokers; and when private brands or large quantities of merchandise were purchased, a letter was forwarded to the supplier and a copy of the letter was usually maintained in company files.

Another wholesaler used formalized purchase orders only when merchandise was ordered by mail. This wholesaler had established the policy that nothing could be purchased unless the stock record card, which reflected the amount of stock on hand and on order as well as past movement, was in front of the buyer. Orders were also given to brokers and to suppliers' salesmen. When orders were given to a broker, he was requested to forward a confirmation of the order back to the company, while suppliers' salesmen were usually requested to make an extra copy of the order for the buyer.

Procedures for Buying New Items

New items are continually being introduced to institutional wholesalers by manufacturers, canners, salesmen of suppliers and brokers, trade sources, the wholesalers' salesmen, and customers. Although each wholesaler looked for different things in a new item presented to him for consideration, he would normally ask and attempt to ascertain the answers to several of the following questions before deciding on whether or not to stock it:

5/ Many wholesalers prefer that receivers not know how much is supposed to arrive. They prefer that the receiver make a receiving report and submit it to the accounting department where it is checked against the invoice and the purchase order.

1. Does the quality measure up to our standards?
2. What are the results of blindfold-taste tests?
3. What will the item do for the customers?
4. What is the price range of the item?
5. Will it sell to the types of customers presently being served?
6. Does the item offer a profitable margin?
7. To what extent will the manufacturer promote the item?
8. What is the customer demand?
9. What is the potential sales volume?
10. Do competitors carry the item?
11. What comparable items are presently being carried?
12. How will it affect the line presently carried?
13. How many items, if any, could be deleted as a result of stocking this item?
14. What is the repeat sales potential?
15. Why should "I" stock this item?

Although some general managers or other top executives retained the authority to decide whether or not to stock a new item, many wholesalers authorized the buyer of the commodity line involved to make the decision. Many general managers or buyers either discussed the item with key salesmen or presented the item at a sales meeting and solicited the opinions of all the salesmen. However, one wholesaler did not consult with salesmen about new items because he believed that salesmen, for the most part, are in favor of stocking everything and generally will not admit there is anything they cannot sell.

The method used by two wholesalers when considering a new item was to give a supply of the item to two or three customers and ask them to test it under operating conditions and report their findings to them. These wholesalers reported considerable success with this technique.

Another wholesaler formed a merchandise committee consisting of company executives, department heads, and buyers. One of the functions of this committee was to evaluate new items. Members of this committee were asked to sample the item at home and to submit their comments and recommendations at the next committee meeting. The majority decision of the committee members usually determined whether or not the item would be stocked.

Procedures for Deleting Items

Lack of movement as reflected on stock record cards or company reports was the primary source of information indicating to the wholesalers that they should consider deleting an item from stock. Other sources were customers' complaints and salesmen's complaints about specific products.

Although two wholesalers based their decisions on turnover alone, most of the wholesalers based their decisions on more than one of the following factors:

1. Movement and turnover.
2. How the complete line would be affected.
3. Lack of desired quality or quality inconsistencies.
4. Whether or not competitors are selling it.

5. Whether or not the price is right.
6. Whether or not an honest effort has been made to sell the item.
7. Whether or not another item has replaced the item being considered.

A few general managers retained authority to make stock deletions, but for the most part the situation was discussed with appropriate buyers, who usually consulted with salesmen before making their final decision.

In one firm when a buyer detected a slow moving institutional-type item he usually discussed it with the institutional department sales manager to determine whether to delete the item, attempt to have salesmen reactivate it, or to give the item more promotion. If the slow moving item was a common institutional-retailer item, the buyer was responsible for presenting the item and the problem to a merchandising committee where the majority decision of the members usually determined whether or not the item would be deleted.

Maintaining Stock Balance

The wholesalers attempted to stock the variety, quality, and pack sizes their customers wanted, and, at the same time, to maximize turnover and minimize costs. Some have attempted to avoid stocking excess items by carefully defining for each item the quality requirements of their customers. For most items they find that two levels of quality are required. One is the highest quality and sold at a premium price. The other level is for those uses in which high quality is relatively unimportant and for those customers who are willing to substitute quality for lower price. For some items one quality level fits almost all needs of customers while others require more than two.

Among the companies studied, brands were the means used to designate quality levels. Since most of the brands were either private or controlled labels, many of the operators used the same brands for almost all items of a given quality level. However, one firm had 12 private labels, using different brands for different classes of goods.

All of the companies stocked some items in national brands. Generally, these items were either brands that had a very strong customer acceptance because of unique quality characteristics, or were items with such limited demand that development of a private label line could not be justified. The wholesalers mentioned that food service operators change the form of products in processing and that consumer acceptance of national brands can be of no help to them in selling meals and services to consumers. Thus, the major advantage of national brands in other kinds of food distribution is neutralized in the institutional situation.

All of the wholesalers agreed that maintaining uniform quality was of utmost importance and required their constant attention. They indicated that the food service operator must have uniform quality products to prepare uniform quality meals for customers. It was pointed out that customers of quality food service establishments will not tolerate much variation in quality of the dishes they are served. Only two of the wholesalers stated that it was difficult to maintain the desired degree of uniformity in quality of private-label items.

One of the larger wholesalers who did not have a serious problem stated that when a problem is encountered, it usually stems from two sources: (1) The necessity to purchase from numerous canners or suppliers because of the large quantities involved, and (2) the somewhat unpredictable nature of supply and demand. Another wholesaler added a third source of trouble: Weather conditions often affect what the canner can purchase and process. This wholesaler stated that rather than sell a substandard 6/ product under his own label, he would discontinue handling the item until he could obtain the quality level desired.

Several different methods of attempting to insure uniformity of quality in private label merchandise were observed. Most wholesalers attributed their lack of a serious quality problem to their carefulness in selecting dependable and reliable canners and suppliers who over the years have come to know the quality level required and demanded by the various wholesalers. Some wholesalers submit specifications along with their orders and enforce them when deficiencies occur. To insure uniformity of quality, all the wholesalers cut cans from incoming lots. The facilities available for cutting cans and checking quality and the frequency in which cans were cut varied considerably among the wholesalers. One wholesaler maintained a quality control laboratory where extensive tests were conducted on samples from most incoming lots. While most of the wholesalers simply performed a detailed visual and taste test from samples obtained from many incoming lots, one wholesaler used a check list to determine whether or not the quality was as represented.

SALES POLICIES AND PROCEDURES

Little variation in sales policies and procedures was found among wholesale firms studied except in their training procedures. Most of the differences were in the emphasis given to ways of contacting customers.

Contacting Customers

The basic procedure used by all of the wholesalers to contact customers was through personal calls. Other methods were used merely to assist the personal sales call or to supplement it to a minor degree.

The telephone was used by one firm to supplement personal sales calls, and in some cases to substitute for them. Most of the telephone sales made by this firm came from calls made by customers for fill-in orders. However, the telephone was the principal contact used by the company for a number of customers of long standing who had complete confidence in them. Both the wholesaler and the customers liked this use of telephone selling because it was more convenient and less costly than personal sales calls.

A catalogue of items, modeled after the firms' retailer preprinted order book but without the usual information regarding cost and competitive retail price, was used by one wholesaler (fig. 2). The company felt that since the

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6/ Substandard as determined by this wholesaler's own set of standards.

		DESCRIPTION	
		FROZEN FOODS ______ - Vegetables	
		Asparagus, jumbo spears 12-2-1/2 lb.	
		Asparagus, cuts and tips 12-2-1/2 lb.	
		Green beans, cut bush 12-2-1/2 lb.	
		Baby lima beans 12-2-1/2 lb.	
		Fordhook lima beans 12-2-1/2 lb.	
		Broccoli, spears 12-2-1/2 lb.	
		Carrots, diced 12-2-1/2 lb.	

Figure 2.--A column from a page of an institutional wholesaler's catalogue for his customers.

catalogue was revised and taken to customers only once every two months, it would be impractical to include price information in the book. The company reported that the catalogue was useful for customers to see the listing of merchandise available from the company and for reminder purposes to allow the customer to prepare much of his order before the salesman arrived. The catalogue was not used as a substitute for the personal effort of the salesman.

Sales flyers and bulletins to customers were used by five of the wholesalers to assist their sales efforts. These promotion pieces ranged from bulletins three to four pages in length to simply prepared flyers (fig. 3). The illustrated flyer was written in script on a stencil to fill an 8-1/2 by 11 inch page and reproduced on colored paper using a drum duplicator. Another wholesaler used a comparatively elaborate bulletin which described the characteristics and content for each item in appealing terms and stated portion food costs.

_____ Brand
Precooked
Portion Controlled Chicken

Precooked & Breaded	Numbers of Portions Per Case	Cost per portion	Cost per Case
Cut-up Half Fryers	12 Portions	54¢	6.48
Quartered Fryers (12 white Quarters) (12 dark Quarters)	24 Portions	28¢	6.72

Uncooked poultry	Pack (approx. number of pieces)	approx. piece Cost	Cost per Case
Breasts	120	16¢	18.90
Drumsticks	180	9½¢	17.40
Thighs	170	10¢	17.70

Convenience — Quality — Cost Control

Figure 3.--A flyer to be mailed to customers.

Mail was the main method used by three of the wholesalers to distribute their bulletins and flyers. The other two usually had the salesmen distribute them on regular sales calls. Often, the bulletins and flyers were mailed along with periodic invoices to the customers. One firm that began using mailing pieces on an experimental basis encountered sufficient success to warrant establishing a mailing list to which flyers and bulletins would be sent.

Selected sales literature supplied by manufacturers and packers was distributed for sales promotion by all of the firms studied. Generally, this material was taken out by salesmen, but occasionally it was mailed with invoices or bulletins.

Attendance at, and participation in, conventions and meetings of food service groups was mentioned by four wholesalers as an effective way to contact customers. Again, this method only assisted the personal sales effort, and did not make sales itself--although occasionally orders were written at the meetings.

Advertisements, designed to build customer goodwill and customer awareness for the house and its brands, were inserted periodically in daily or weekly papers by one wholesaler.

Backflow of information from customers to the companies came through the salesmen and other personal and telephone contacts with the customers. This backflow was of an informal nature, and none of the companies had a formal system for analysis of such information.

Organization for Sales

The form of organization of the sales force among the companies appeared to be related to the size of the firm--with the larger companies having the more elaborate forms.

One company had a sales manager, who reported to the general manager, in charge of the retailer and the institutional sales force. An institutional sales supervisor, who worked under the sales manager, was responsible for supervising salesmen, assisting in training salesmen, and assisting salesmen in opening new accounts.

In each of the remaining companies either the division or company general manager or the assistant general manager was responsible for sales management in addition to other duties. One of these firms had sales supervisors, but in some cases supervisory functions were shared with other general executives in the firm.

Job Responsibilities of Salesmen

The basic responsibilities of salesmen in all the companies were to maintain good business and personal relationships with customers, and to present the merchandise, services, and image of their company to customers in the best possible manner. Most wholesalers felt with their stock of merchandise and quality of service that if the salesmen maintained good relationships with the customers, orders would be sure to follow. Among the specific things the wholesalers expected their salesmen to do in order to properly accomplish their jobs were the following:

1. Develop the proper knowledge for the job.

    a. Attend sales meetings.
    b. Learn the product.
    c. Keep informed on what is going on in the trade.

2. Develop good customer relations.

    a. Build prestige for himself and his company.
    b. Build a feeling of goodwill and confidence among customers.
    c. Develop a sincere interest in the operation and success of the customer's business.
    d. Be honest with customers.
    e. See that customers are satisfied upon receipt of their orders.

3. Sell merchandise to the customers.

   a. Solicit new accounts.
   b. Present and demonstrate merchandise--especially new items and new uses for old items.
   c. Quote portion costs of items.
   d. Keep customers informed on new items.
   e. Write orders.

4. Aid in sales credit administration.

   a. Recommend credit terms for specific customers.
   b. Maintain credit quality of customers by preventing the development of delinquent accounts.
   c. Collect accounts.

Systems for Compensating Salesmen

Three basic sales compensation systems were used by the wholesalers, but within each type there was some variation. These reflected the objectives the wholesalers sought to accomplish through the compensation system.

Commission on Gross Margin

The compensation system used by four wholesalers in the study was commission on each salesman's generated gross margin. Some wholesalers required the salesmen to provide their own automobiles and pay their own travel expenses and paid a commission rate high enough to compensate the salesmen for their use.

The wholesalers cited two advantages of the commission on gross margin system. It gives the salesmen an incentive to push, not only the easy-to-sell staple items which yield a low gross margin, but all items in the line. It also deters salesmen from granting price concessions. The main disadvantage cited was that it is necessary to cost each salesman's invoices in order to arrive at his generated gross margin.

Commission on Net Sales

Four wholesalers used a system of commission on net sales for sales compensation but each used a somewhat different plan. The simplest plan used was a single commission rate applied to total net sales. This was easy to compute, while offering the basic incentive feature of a commission plan.

Another wholesaler used a variable commission rate graduated upward with total net sales. Under this plan the salesman received commission at the base rate on weekly sales up to $6,000. On the first $1,000 weekly sales above $6,000, he received commission at a rate of 80 percent above the base rate. On the second $1,000 above $6,000 he received a commission rate of 110 percent above the base rate. The commission rate continued upward for higher weekly sales volumes. The wholesaler liked this plan because it encouraged increased production and gave tangible incentive to the salesman to increase his order size since there was a limit beyond which he could not increase his number of customer contacts. Thus, the salesman was encouraged to be selective of his customers and to sell the complete line.

The third wholesaler using a commission on net sales system used a variable commission rate by commodity categories. All items were divided into about half a dozen commodity categories based upon gross margin yield. A certain commission rate was then applied to net sales in each category, ranging from 1/2 percent for the category with the lowest gross margin yield to 6 percent for the category with the highest gross margin yield. While this system requires a rather complicated procedure to compute the compensation amount, the wholesaler liked it because it provided incentive to give added sales support to the items that require the greatest sales effort.

A fourth wholesaler also used the variable commission rate by commodity categories. But this firm applied it to net sales in excess of a predetermined sales quota for each salesman's territory. The quota was designed to defray administrative costs of keeping the salesman in the field, costs of an automobile furnished to salesmen who did not use their own, costs of travel expenses paid for salesmen who did not pay their own, and to adjust for differences in sales opportunities among sales territories caused by variations in sales potential.

Salary, Commission, and Bonus

The third basic sales compensation system, used by one of the wholesalers, was a combination of salary, commission on net sales, and a bonus of a fixed amount for any month during which average daily generated gross margin exceeded a specified amount. The system gives the compensation of the salesmen an element of security in the salary part, an element of incentive for expanded sales in the commission part, and an element of incentive to sell the higher margin items in the bonus part. However, the wholesaler who uses it emphasizes that, while it serves his purposes in an excellent manner, it would not fit some situations.

In all three basic compensation systems the rates of commission varied, depending upon whether automobile costs and travel expenses were paid by the company or by the salesman. When traveling expenses were included in commissions, statements of actual traveling costs incurred were prepared for salesmen so they would not have to pay income taxes on reinbursement items. Generally, there was little difference in the compensation levels paid the salesmen. The differences which existed were in the manner and degree to which incentive was provided in the system. One wholesaler who used the commission on gross margin system suggested that a salary-plus-commission plan would perhaps be the soundest basis on which to compensate salesmen. He said that salesmen did two kinds of work. The performance on one kind could be measured in terms of net sales or generated gross margin and should be compensated for by commissions. Performance on the other kind of work done by the salesman, such as servicing contract accounts and developing new accounts, was not directly related to sales or generated gross margin and should be paid for by salary.

Selection and Training of New Salesmen

The wholesalers did not experience much turnover among sales personnel. However, one wholesaler mentioned that his company has experienced a fairly high rate of turnover among sales trainees and has found it necessary to point out continually during the training period the exacting demands of selling to the institutional trade. In spite of this, trainees who do not succeed usually complete the training period and begin working independently before their unsuitability for the job is finally determined.

Selection of New Sales Personnel

While most of the wholesalers obtained sales personnel from outside their companies, one had a policy of getting new salesmen from within the company. This wholesaler usually promoted them from among his truck drivers, telephone order clerks, and warehousemen. Men in these positions were often hired with the understanding that they would be considered for sales positions when vacancies occurred. Therefore, in selecting them originally, consideration was given to their aptitude to fill sales assignments.

The wholesalers who brought new sales personnel from outside recruited prospects in a number of ways. Some reported much success using employment agencies and newspaper advertising. Others stated that they had been disappointed using these means. All agreed that an effective means of recruiting was through their employees recommending friends or acquaintances who were interested in sales positions in the institutional field.

Wholesalers recruiting salesmen from outside the firm generally sought men who presented a good appearance and possessed a high degree of integrity. "Pressure type" selling is not suited to institutional selling. Consequently, wholesalers attempt to avoid high pressure type salesmen.

The basic difference among the wholesalers in hiring a trainee was in the importance they placed upon past experience. Some wholesalers preferred to hire sales trainees who had experience selling to food service operators, while others attempted to hire persons who had selling experience in any segment of the food distribution industry. Still other wholesalers felt that by hiring inexperienced trainees, they did not have to untrain them prior to training them in their own methods of selling.

Training New Salesmen

The extensiveness of the training given a sales trainee usually depended upon whether the wholesaler hired an experienced or an inexperienced man, the nature of the trainee's background, and the size of the wholesaler. For the most part, the larger wholesalers gave trainees more formal training than the smaller wholesalers gave them. The length of the training period varied from less than 2 weeks to more than 6 months.

All the wholesalers familiarized trainees with stock handled, warehouse and office routines, and sent the trainees with experienced salesmen prior to assigning them a territory. Again, the length of time which a trainee would spend with experienced salesmen ranged from 3 days to 6 months and usually depended upon whether the company hired an experienced or an inexperienced man.

The training program conducted by one wholesaler starts by assigning the trainee to the institutional sales manager for the first week. During this time, the trainee is acquainted with company history, company policy, office routine, and the warehouse operation. The various buyers discuss product information with him. The trainee is fully informed of the company's selling policies and the importance which the company places upon extending service to customers. Other phases of initial training consist of teaching the trainee how to approach customers, how certain products are used, and informing the trainee about grades and quality by cutting cans of merchandise. Upon completion of the first week of training at the office, the trainee spends 1 or 2 weeks on the road with the sales supervisor before being assigned a territory.

Another wholesaler indoctrinated the trainee to office and warehouse routines during initial phases of the training program. The trainee usually spends about 3 days talking with employees in the merchandising department, credit department, claims department, warehouse, and the electronic data processing department. He also spends time with the sales manager who outlines the salesman's responsibilities, what the company expects of the salesman, and what the salesman can expect from the company. After completing the office training, the trainee is assigned to a territory. At this time, the sales supervisor spends approximately 1 week training him under actual selling conditions. After a month or so, when the trainee should have a better understanding of his job, the sales supervisor spends more time with him.

Supervision and Extended Training of Salesmen

Although all the wholesalers felt that the sales manager should accompany salesmen on calls, they generally did so only when specific situations demanding their attention developed. However, a few wholesalers had sales supervisors who spent most of their time with salesmen.

Sales meetings were another method used by all the wholesalers to supervise and extend the training of salesmen. The frequency of these meetings varied from once a week to once every 3 months.

Some wholesalers required their salesmen to submit periodic reports on their activities, while other wholesalers felt that since the primary job of salesmen was to sell merchandise as well as service, they should not be burdened with having to submit reports. One wholesaler eliminated the need for salesmen's reports by having one of the key personnel review each salesman's order daily.

Sales letters and personal conferences are also used as a method of supervising salesmen. The sales letters contained important information about such things as market conditions, new products, stock deletions, and special promotions. Personal conferences were usually conducted on an informal basis. However, the sales manager of one firm schedules a conference with each salesman at least once a month, at which time operations and developments in the salesman's territory are the main topics of discussion.

Credit Policies

Credit Terms

All the wholesalers had different credit terms for their various types or classes of customers. In general, standard credit terms were as follows:

1. Net 30 days--Federal, State, and local governmental institutions, certain large accounts, and those operators whose office routines or fiscal procedures were geared to monthly payments.

2. Net 15 to 30 days--depending upon the size of the account, and the paying habits and credit rating of the customer. Generally, the smaller the account, the fewer days extended.

3. Net 7 to 14 days--depending upon the size of the account and the paying habits and credit rating of the customer.

4. "Trip-to-trip"--depending mostly upon the paying habits of the customer. Under this credit arrangement the salesman collects for the last order prior to accepting another order.

5. C.O.D.--mostly those accounts with whom the wholesaler has experienced collection difficulties; also new customers until they have established a credit standing with the wholesaler.

Most of the wholesalers had some accounts in all five categories enumerated above. Credit terms most commonly used by the wholesalers ranged from 15 to 30 days net.

Collection of Accounts

The extent to which salesmen collect accounts varies considerably among the wholesalers. A few wholesalers reported that their salesmen collect from an estimated 75 percent of the credit customers, while the other 25 percent of the customers remit by mail in response to a statement. Other wholesalers reported just the inverse percentages.

Credit losses among the various wholesalers ranged from a low of .002 percent to a high of .25 percent of net sales, while the typical credit loss reported by most of the wholesalers was approximately .12 percent of net sales. Those wholesalers who had the lowest credit losses attributed it mostly to their selectivity of customers to whom they extended credit and to their close scrutiny of accounts receivable, especially to past due accounts.

Aging of Accounts Receivable

The method used by one of the larger wholesalers to control the aging of accounts and keep his credit losses at a minimum involved charging the salesman 50 percent of any credit loss. In order to provide a fund for this the company retains an amount equal to one-fourth of one percent of gross sales from the salesman's commission. Any amount to the salesman's credit at the end of the fiscal year is returned to him. The company feels that the vested interest which salesmen have in outstanding accounts makes them very effective collectors.

The average collection period for institutional accounts was approximately 30 calendar days, when Federal, State, and local institutions, as well as cash sales are included.

Acceptability of Cash Terms to Institutional Market

Although some customers were on a cash basis either by choice or through necessity, all the wholesalers felt that food service operators, as a whole, would resist cash terms for one or more of the following reasons:

1. Customers would resent cash terms because they have worked hard to establish credit.

2. Bookkeeping procedures of many food service operators are not geared to cash terms.

3. Many food service operators extend a considerable amount of credit themselves and are not in a position to pay the wholesaler until their customers pay them.

4. Many customers pay their invoices from a different location than where the merchandise is delivered.

5. The customer would be unduly inconvenienced because of the large number of invoices he would have to pay daily.

6. Tradition has conditioned many customers to expect credit.

A few wholesalers indicated that savings which might accrue to them as a result of cash terms would probably be more than offset by increased costs of operation because: (1) The driver would have to wait until the customer could get around to paying him, and (2) the wholesaler's money would be subjected to greater risks while in the possession of the drivers.

Price Policies

A markup added into the selling price of merchandise was the universal way used by the wholesalers in the study to charge for their services. In setting the amount of the markup, the costs of freight in, freight out, experienced overhead and normal operating costs, and equity capital were all considered. The markup was generally expressed as a percentage on selling price.

The percentage markup applied varied from commodity group to commodity group. Variable percentages were applied because of differences among commodities in rate of turnover, cost of handling and warehousing, and competitive factors affecting sale.

One wholesaler incorporated a quantity discount system into his pricing plan. This wholesaler recognized the lower cost of handling large orders by the use of the following discount plan:

Orders of 15 to 24 cases,	2 percent off list price
Orders of 25 to 49 cases,	3 percent off list price
Orders of 50 to 99 cases,	4 percent off list price
Orders of 100 to 499 cases,	5 percent off list price
Orders of 500 or more cases,	6 percent off list price

This wholesaler expressed the opinion that the quantity discount plan was the primary cause of the 20 percent increase in average order size during the first year the plan was in operation.

One wholesaler had a minimum order policy which required not less than five cases of canned goods in any order. He stated that in special situations exception was made to the rule, but this occurred rarely. Another wholesaler had a stated minimum order size of $35.00 but he pointed out that in a sample week about 30 percent of his orders were for less than the minimum. This wholesaler said that a recent study conducted by the company indicated that orders for less than $40.00 were served at a loss to the company. A third wholesaler sought to discourage small orders by requiring C.O.D. terms on orders for less than $25.00. Two other wholesalers indicated that salesmen were encouraged to write orders in excess of $25.00 and to select only those customers with whom such orders could be written.

Locating and Developing New Customers

Most of the wholesalers depended primarily upon the alertness of their salesmen while covering their territories to spot potential customers. Salesmen of non-competing companies, suppliers, brokers, and manufacturers also notified wholesalers of potential customers.

A few wholesalers either subscribed to listings of new businesses or obtained a list of registrants attending various trade conventions. Most of the wholesalers using these listings instructed salesmen to call on the newly spotted potential customers, while one sent a letter to each potential customer containing a listing of products, services, other sales information, and a return post card by which a prospective customer could request a sales call. Similar sales letters are mailed every August to all schools in the territory that are not already active customers. The wholesaler using this method of contacting potential customers reported that it has been very successful.

A very complete method used to spot potential customers was conducted by a manufacturer of a line of products in cooperation with one of the wholesalers. The method involved employing part-time college students who conducted a street-by-street canvass of all food service operators in the wholesaler's home city, which has a population of approximately 400,000. The manufacturer planned the survey, executed it, tabulated the results, and presented the results to the wholesaler. Information obtained on each food service operation in the city included the name of the establishment, address, type of operation, and the name of the buyer. The wholesaler reported that this method of spotting potential customers was effective and that he is contemplating the same type of survey in another city he serves.

By far, the credit rating of the potential customer was the most important consideration as to whether or not he would be acceptable. Wholesalers usually attempted to ascertain this information from a credit bureau, from other wholesalers, or by attempting to sell small initial orders to a new customer so the wholesaler could determine for himself the credit reliability of an account. Other factors considered by the wholesalers before accepting a new account were: The ability of the customer to purchase the minimum order size (if any), the profitability of serving the customer, the customer's type of operation, and the customer's buying potential.

Additional techniques were used to develop the sales potential of new customers once they were obtained. The most common techniques were for salesmen to focus attention on the quality of their products and to inform new customers of the services offered by their companies. The technique used by one wholesaler was to attempt to create a desire on the part of a customer for a private label product which no one else sold.

CUSTOMER SERVICE POLICIES AND PRACTICES

Merchandising Aids to Customers

All of the wholesalers distributed menu planning aids, recipe planning aids, table tents, back-bar streamers, and menu clip-ons. These merchandising aids were made available to the wholesalers by processors, suppliers, and various trade associations.

A few wholesalers trained their salesmen so they would be able to assist customers with portion-control problems. Salesmen, so trained, were usually instructed to quote their selling costs on a per-portion basis rather than on a per-container or per-case basis. Salesmen also pointed out the advantages of buying portion-control packs, and called the customer's attention to the importance of knowing the cost per portion of everything they served. In order to equip salesmen with as much of this information as possible, some wholesalers listed the price per-portion in the sales book along with the number of portions per unit.

A few wholesalers had their labels printed with the number of portions in a container. Some have distributed charts designed to provide customers with readily available information on the average number of servings which can be obtained from various size units and the cost per serving (fig. 4).

Although all the wholesalers emphasized quality when selling their private label merchandise, most of the wholesalers did not have a specific quality designated on their labels. The wholesalers felt that customers were aware that their top labels represented the highest quality available.

Many wholesalers attempted to impress upon their salesmen the importance of informing customers of new products and new ways to prepare and serve old

"FOOD CHART"

WE HAVE PREPARED THIS CHART FOR YOUR CONVENIENCE
SHOWING THE COST PER SERVING AND BELIEVE YOU WILL
FIND IT MOST HELPFUL IN SERVING FOOD.

<u>NO. 10 TINS</u>
$4.75 to $36.00 per doz.

Cost per Dozen Cans	Cost per Can	Cost Per Serving						
		20 Portions	23 Portions	26 Portions	29 Portions	32 Portions	36 Portions	40 Portions
$ 4.75	.40	.020	.017	.015	.014	.012	.011	.010
5.00	.42	.021	.018	.016	.014	.013	.011	.011
5.25	.44	.022	.019	.017	.015	.014	.012	.011
5.50	.46	.023	.020	.018	.016	.014	.013	.012
5.75	.48	.024	.021	.018	.017	.015	.014	.012
6.00	.50	.025	.022	.019	.017	.016	.014	.013
6.25	.52	.026	.023	.020	.018	.016	.015	.013
6.50	.54	.027	.023	.021	.019	.017	.015	.014
6.75	.56	.028	.024	.022	.020	.017	.016	.014
7.00	.58	.029	.025	.023	.020	.018	.016	.015
7.25	.60	.030	.026	.023	.021	.019	.017	.015
7.50	.63	.031	.027	.024	.022	.020	.017	.016
7.75	.65	.032	.028	.025	.022	.020	.018	.016
8.00	.67	.033	[illegible]	.026	.023	.021	.019	.017
[illegible]	2.73	.137	.119	.105	.094	.085	.076	.068
33.00	2.75	.138	.120	.106	.095	.086	.076	.069
33.25	2.77	.139	.120	.107	.096	.087	.077	.069
33.50	2.79	.140	.121	.107	.096	.087	.078	.070
33.75	2.81	.141	.122	.108	.097	.088	.078	.070
34.00	2.83	.142	.123	.109	.098	.088	.079	.071
34.25	2.85	.143	.124	.110	.098	.089	.079	.071
34.50	2.88	.144	.125	.111	.099	.090	.080	.072
34.75	2.80	.145	.126	.112	.100	.091	.081	.073
35.00	2.92	.146	.127	.112	.101	.091	.081	.073
35.25	2.94	.147	.128	.113	.101	.092	.082	.074
35.50	2.96	.148	.129	.114	.102	.093	.082	.074
35.75	2.98	.149	.130	.115	.103	.093	.083	.075
36.00	3.00	.150	.130	.115	.103	.094	.083	.075

Figure 4.--Food cost chart distributed by an institutional wholesaler.

products. As an example of this type of sales promotion service, one wholesaler instructed his salesmen to describe to food service operators how they can improve their profits by selling pancakes and waffles, the ease of preparing them, and the different ways of serving them such as with pecans, boysenberry syrup, or ice cream. To follow through with this idea, the wholesaler provided food service operators with menu clip-ons, back-bar streamers, and table tents picturing pancakes and waffles prepared in these various ways. This wholesaler's objective was to sell a group of items rather than exerting effort to sell each individual item.

Management Aids to Customers

Although a few wholesalers who supplied both food service operators and retailers provided certain management aids to their retailers, none of the wholesalers had a program for assisting food service operators with such aids as accounting services, accounting analysis, personnel management, finding suitable employees, selection of sites, purchase of equipment, layout of equipment and facilities, and improvement of work methods. When services such as these were provided to food service operators, they were usually extended by salesmen on an individual and informal basis.

ACCOUNTING AND CONTROL PROCEDURES

General Control

Monthly operating statements were prepared by all of the wholesalers included in the study. However, there was considerable difference among them in the extent to which they analyzed the statements. Some of the small operators limited their analysis to an informal review of the statement because they felt they were close enough to the business and its operations to be thoroughly familiar with its progress from day to day.

Some of the large operators prepared the statement for each period showing data for the current period, the preceeding period, and the same period one year eariler. Each item in the statement was then carefully analyzed.

Other large operators compared results of the current period with operating results of the year to date. The various major account headings shown in figure 5 were developed by one of the wholesalers on the basis of his organizational division of authority and responsibility. 7/ This type of account classification enabled management to pinpoint responsibility for any particular function being performed and permitted the various department heads to determine how effectively they were performing. The functional breakdown of accounts makes the sales manager responsible for all selling expenses, the warehouse superintendent responsible for all warehouse expenses, the traffic manager

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7/ The specific grouping of accounts under the various major headings, as used by one of the wholesalers, is merely illustrative of the kind of grouping that can be used. This grouping fits the needs of this wholesaler; however, it may not fit the specific needs of other wholesalers.

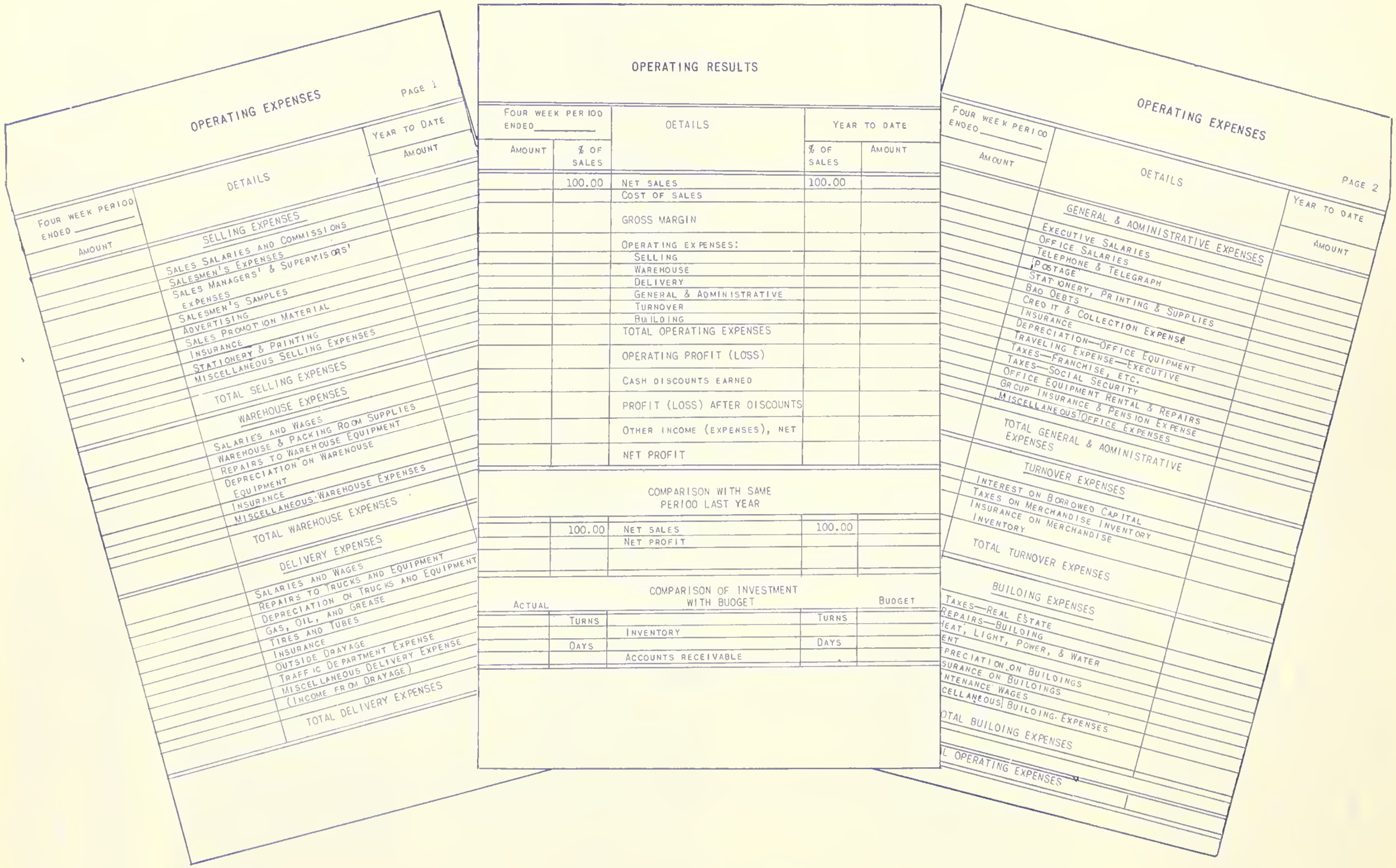

Figure 5.--An operating statement analysis form and the detailed accounts from which it developed.

responsible for all delivery expenses, the general manager responsible for all general administrative expenses, and the head buyer responsible for turnover expenses.

Turnover expenses consist of interest on borrowed capital, taxes on merchandise inventory, and insurance on merchandise inventory. It is recognized that these are only a few of the costs of carrying inventory, but a buyer who is accountable for the costs would be likely to consider the various cost factors before placing an order. This proved to be an effective way of keeping inventory in correct balance with sales.

The operating statement form provides for comparison of net sales and net profit with the same period of the previous year. It also provides for comparison of actual with planned investment in inventory and accounts receivable.

Warehouse Control

Two of the wholesalers collected and analyzed information on warehouse labor productivity. Their summary figures were in pounds or tons per man-hour in receiving, order selection, and order checking. Another wholesaler performed spot checks on order selection and order checking to determine productivity. Two of the wholesalers in the study were about to begin collecting data on production per man-hour.

Delivery Control

The delivery controls used by most of the wholesalers involved analyzing the delivery expenses on their operating statement. Two wholesalers maintained somewhat more extensive records. They provided their drivers with a daily manifest listing their stops in the sequence the trucks were to be unloaded (fig. 6). Drivers were required to enter the time of departure from the warehouse, the time of arrival at and departure from each stop, and the time of arrival back at the warehouse. The manifests were checked by the wholesalers to determine if the amount of time spent at each stop was reasonable. One further required that drivers enter the speedometer reading at each stop and describe the reasons for all delays in excess of 15 minutes. This wholesaler also required his drivers to submit a daily summary report on their activities. Information on the summary report consists of date, route number, miles operated, hours operated, number of delivery stops, number of trips, total pieces delivered, pounds backhauled, and the driver's signature (fig. 7).

After these forms were submitted to the company, the weight and dollar value of the loads were entered and analyses of the trips were made. Based on information obtained from the summary of drivers' activities, the company can quickly ascertain information on the average number of cases per order and the dollar value per order. This type of information can be used for planning purposes, and along with other delivery expenses, would be a valuable aid in establishing a policy on minimum size orders which will be delivered.

(No. ______ of ______ Sheets)

DAILY DRIVER RECORD

Route No. ____________ Number of Stops ____________ Date ____________ 19 ______

Truck or Tractor No. ____________ Driver ____________

Trailer No. ____________ Helper ____________

Starting Time	Speedometer Reading	ACTIVITY (Use code if possible. Do not identify driving time.)	Leaving Time

CODES FOR ACTIVITIES:

A - Truck Check
B - Outloading
C - Unloading
D - Road Failure
E - Lunch
F - Rest
G - Backhaul
H - Other (Explain)

DRIVER: Show on reverse side vehicle expenses incurred on the road.

Route No. ____________ Date ____________ 19 ______ Truck or Tractor No. ____________

EXPENSES INCURRED ON THE ROAD
(Driver Complete)

ITEM	QUAN	COST	CHARGE (✓)	PAID (✓)

Approved and Recorded ____________
(Signature, Shop Supervisor)

SUMMARY OF LOADS CARRIED
(Shipping Dept. Complete)

Stop No	Number of Pieces	Pounds Weight	Dollar Value	Stop No.	Number of Pieces	Pounds Weight	Dollar Value
1				23			
2				24			
3				25			
4				26			
5				27			
6				28			
7				29			
8				30			
9				31			
10				32			
11				33			
12				34			
13				35			
14				36			
15				37			
16				38			
17				39			
18				40			
19				41			
20				42			
21				43			
22				44			
TOTALS							

Figure 6.--A driver's manifest used by one of the institutional wholesalers.

DAILY SUMMARY
OF
DRIVER'S ACTIVITIES

Date: ____________

Truck No. ______

Route No. ________________________
Miles Operated __________________
Hours Operated __________________
No. of Delivery Stops ___________
No. of Trips ____________________
Total Pieces Delivered __________
Pounds Backhauled _______________
*Pounds Delivered _______________
* $ Value of Deliveries _________

Driver's Signature ______________

*To be filled in by accounting department.

Figure 7.--Daily summary of driver's activity form used by an institutional wholesaler.

Sales Control

Eight companies in the study used sales data accumulated separately from each salesman for sales control purposes. Seven of these firms also used generated gross margin data for sales control. One of them kept frozen food sales data separately because it was a new line and required careful scrutiny to determine its profitability. Another classified all sales into four categories of goods to evaluate performance of each category separately.

There was considerable difference in the manner in which wholesalers used the sales data for control purposes. Some made thorough analyses of the figures to determine weaknesses and strong points in the performance of each salesman. One wholesaler used the results of such analyses as material for private conferences with individual salesmen to discuss and correct unfavorable situations and to exploit favorable situations. Other companies used the material in general sales meetings.

One company, which periodically mailed sales bulletins to customers, collected sales data on items featured in the bulletin. The data were used to evaluate the sales performance of the bulletin.

The desire for sales data by individual customers and by types of customers was expressed by one wholesaler. He stated that he could use such data to determine how much sales effort he could economically apply to individual customers and specific types of customers. Such data might reveal to a wholesaler that he is getting a larger percentage of his sales from a certain type of customers and that sales penetration within another group is not as extensive as he might have thought. This could possibly lead to policy changes which would give more importance to the group representing the largest percentage of sales, or it could result in exerting more effort to penetrate a certain market.

THE FUTURE OF INSTITUTIONAL WHOLESALING

Approximately 50 persons active in the management of the nine wholesale firms included in this study were interviewed, and all were asked what changes they expect to occur in the field of institutional wholesaling in the not too distant future. This section of the report represents the composite thinking of the interviewees.

Most of the interviewees do not expect the future development of institutional wholesaling to parallel too closely the developments which have taken place in general grocery wholesaling. The needs of food service operators are considerably different from the needs of retail grocers, and effective institutional wholesaling requires a different type of operation from that operated by wholesale grocers. However, a few principals were quick to mention that institutional wholesalers can benefit from the experiences of general grocery wholesalers.

Changes in the Structure of Institutional Wholesaling

Many possible changes in the structure of institutional wholesaling were mentioned. Although some of the possible changes might appear to conflict, it is understandable since the views of many individuals are being expressed.

Wholesaling Specialization

The principals in one firm stated that wholesalers presently serving both retailers and food service operators will probably begin to concentrate more on institutional business because supermarket chains and voluntary groups are obtaining an increasing amount of shelf-size business. Another interviewee expects the wholesalers who are presently serving both retailers and food service operators to make a decision to service either one group of customers or the other, according to which group he can better serve. A modification of this would be to establish separate institutional and retailer divisions within a company.

Cash and Carry Outlets

One of the interviewees who commented about institutional cash and carry outlets expects smaller food service operators and larger operators requiring fill-ins to avail themselves of these facilities. This wholesaler stocks certain institutional-type items at his numerous cash and carry outlets which are operated in conjunction with his general grocery wholesaling business.

The other interviewees commenting about institutional cash and carry outlets do not expect them to develop to a very significant extent, because they feel food service operators are not staffed, nor do they usually have the equipment needed to pick up their own orders.

Hotel and Restaurant Cooperative Buying Groups

Key management personnel in two firms mentioned the possibility of hotel and restaurant cooperative buying groups being organized which will be comparable to the cooperative types of arrangements which have been developed in the general grocery wholesaling segment of the food distribution industry.

The interviewees in one firm mentioned that food service operators are becoming increasingly aware of the cost of carrying inventory. This is causing them to turn away from speculative buying and to turn toward a reliable and low cost supplier. In turn, this develops a similar type of climate around food service buying that caused independent food store operators to organize into buying groups. As a parallel movement, these same interviewees expect an increasing amount of corporate buying by multi-unit food service operators directly from manufacturers.

Cost-plus Type of Operation

Interviewees in three of the five firms where comments about a cost-plus operation were voiced feel that some type of a cost-plus plan could develop in institutional wholesaling in the future. They feel that a cost-plus operation may result from keying their operations to large food service operators, such as chain operators. Interviewees in one firm also mentioned that a cost-plus plan may be feasible where a wholesaler can key his operation to servicing specific types of food service operators, such as hotel restaurants.

The principals in two firms felt that a cost-plus type of operation would not benefit institutional wholesaling. Personnel in one firm indicated that as long as institutional wholesalers continue to perform an efficient and economical job, there is no need for a cost-plus type of operation to develop. The general manager in the other firm mentioned that the primary concern of food service operators is quality of product and portion control and cost, whereas the primary concern of retailers is getting the merchandise to consumers at the lowest possible price. Further, since food service operators must process the merchandise prior to selling it, their expenditures for food do not represent as high a proportion of their expenditures as it does for retailers.

Truck Jobbing

The general manager in one firm mentioned the possibility that some institutional wholesalers in the future might operate one of their own trucks on a jobber basis or cooperate with a truck jobber who is willing to service small customers who buy in less-than-full-case units. This interviewee speculated that it would be more economical for institutional wholesalers to distribute less-than-full-case units through truck jobbers than to perform this function themselves.

Expansion of Merchandise Lines

Many of the principals interviewed expect institutional wholesalers to add lines to those they presently handle in order to provide essentially everything that food service operators use. One general manager mentioned that a "one-stop" wholesaler would make it possible for food service operators to spend less time interviewing the numerous salesmen presently required to purchase the institutions' total requirements. The interviewees had the following to say about specific commidity lines:

Janitorial and Paper Supplies

Most of the principals interviewed whose firms did not carry janitorial or paper supplies felt that these items could be effectively marketed through their houses, while the personnel in those firms that did not carry a complete line felt that they could broaden their line to their advantage. One general manager mentioned that he had not given serious consideration to increasing his paper line because of the bulkiness of the items and his limited availability of storage facilities.

Frozen Foods

Most of the principals in those firms which did not already handle frozen foods felt that a frozen line could be effectively integrated into their operations and that such an addition would undoubtedly increase their customers' average order size. However, some interviewees felt there was not enough potential business in their trading area to justify the investment which would be required to introduce and maintain the line. Others felt that most of their accounts did not have sufficient or satisfactory frozen food storage facilities and that daily deliveries might be necessary.

Fresh Produce and Fresh Meats

Although one of the wholesalers distributed fresh fruits and vegetables to food service operators, most of the interviewees felt their firms could not successfully undertake this venture with existing facilities and without changing their basic organizational structure. The interviewees felt the same way about the distribution of fresh meats.

Preprinted Order Form or Order Directory

Preprinted order forms invoked much discussion on the part of the interviewees. Excluding the two firms where preprinted order forms or order directories were used, key management personnel in the other seven firms either felt that preprinted order forms had no place in institutional wholesaling or that preprinted order forms or directories could be used effectively by institutional wholesalers.

Key management personnel who felt that preprinted order forms could not be used effectively by institutional wholesalers expressed three reasons for their convictions:

1. Nothing will take the place of salesmen calling on the trade.

2. The cost of printing and distributing order forms or directories would be prohibitive in light of the small size orders customarily received from food service operators and the frequency of deliveries usually made to institutional accounts.

3. The types of customers served by institutional wholesalers are too numerous to prepare a single order book which could be used effectively by all food service operators.

Those persons who felt that preprinted order forms or directories could be used by institutional wholesalers expressed the following reasons for their convictions:

1. They provide the salesman with a valuable selling tool.

2. Salesmen do not have time to continually present their complete line, whereas an order directory would serve as a constant reminder to the customer of all items handled by the wholesaler.

3. The customer could write his basic order at a time most opportune for him and could be ready to present it to the salesman when he arrives. Thus, since customers can only devote a limited amount of time to salesmen, salesmen would be in a better position to spend more time selling and less time order-taking.

Much emphasis was placed on personal selling by all the personnel interviewed, and they all expressed the conviction that preprinted order forms or directories could not be expected to replace salesmen. Salesmen would still be needed to sell, demonstrate new items, provide necessary liaison between customers and the company, distribute market information, and provide the numerous services which salesmen are constantly called upon to render.

Food Technology

Key management personnel in four of the firms studied expressed a need for more food technology research. One of these interviewees stated that producers and processors can be expected to develop more dehydrated and highly condensed foods. This wholesaler went on to say that such a development would reduce transportation, handling, and packaging costs, and storage facilities could be reduced or more effectively utilized.

Another interviewee stated that a responsibility of manufacturers and wholesalers will be to develop more labor saving foods and portion control foods so that persons other than highly specialized chefs can be used to prepare meals. Since a sufficient number of young people are not entering the food preparation profession to replace retirees and to care for the expanding food service market, and since the cost of labor and general overhead expenses are continually rising, pre-prepared food will be a necessity.

Expansion of Services by Wholesalers

Interviewees in all the firms are anticipating a need for expanding services to customers. They also stated that an attempt will be made to better understand and satisfy the needs and desires of customers. It is also anticipated that the aids offered to food service operators will not necessarily be the same as those presently being offered to retailers, but will depend upon the type and size of the food operators as well as upon local conditions. Most of the principals agreed that the initial step required for extending services to customers is to train their salesmen to better qualify them to assist customers with their problems.

The sales manager of one firm stated that institutional salesmen of the future cannot be expected to keep abreast of all new products and all new techniques which will develop in institutional wholesaling. The magnitude of the salesman's job will require that institutional wholesalers use some method, such as direct mailings, to disseminate sales information to customers. Such a technique of disseminating sales information should take the place of some of the time-consuming functions which salesmen are normally expected to perform.

Basically, the services being anticipated are broken down into merchandising services and management services. Some of the merchandising services which the interviewees mentioned might develop in institutional wholesaling are:

1. More extensive sales promotion material.
2. Label information to include a more detailed description of contents.
3. Recipe and menu service.
4. More extensive information on portion costs and portion control.
5. More information on product usage.

Some of the management services are:

1. Advising customers on equipment and layout.
2. Providing site selection service for locating new outlets or for relocating old units.
3. Providing personnel placement services.
4. Providing an accounting service.

Not all the interviewees agreed as to which services will develop in institutional wholesaling. For example: Two principals mentioned the possibility of performing accounting services for food service operators, and one principal felt that such services could not be performed economically by the institutional wholesaler. One of the principals foreseeing the extension of accounting services stated that the benefits which would accrue to the wholesaler as a result of performing these services are:

1. The wholesaler would become more familiar with the customer's operation, and he would be in a position to more effectively supply customers' needs.

2. The wholesaler would know the financial status of the operator.

3. The customer would be apt to be more loyal to a wholesaler who provided services for him.

4. Accurate records and a proper analysis should help to strengthen the position of the customer and make him a better customer.

The other interviewee foreseeing a possible extension of accounting services related that an institutional wholesaler could probably perform an accounting analysis service for small food service operators by providing them with standardized preprinted accounting forms which they could fill out and return to him. The wholesaler could then analyze the entries and forward a report to the customer.

An interviewee who feels that accounting services will not develop in institutional wholesaling mentioned that institutional wholesalers do not have the "equity" in their customers that general grocery wholesalers have because an institutional wholesaler's sales to a given customer do not generally account for as large a fraction of the customer's total sales as is true for the general grocery wholesaler. Hence, the value accruing to the institutional wholesaler as a result of performing accounting services for customers cannot be as great as in the case of the general grocery wholesaler.

Reduction of Services by Wholesalers

Although the principals in this study expect institutional wholesalers to expand services to their customers, they also anticipate the reduction of a few services currently being extended.

Numerous interviewees feel that fewer deliveries will be made in the future because of high delivery costs.

All the principals either stated or implied the need for a realistically established policy specifying the minimum size order which will be delivered. Such a development is anticipated in the institutional trade in the near future because of the ever increasing costs of obtaining and processing small orders. Estimates as to what the minimum order size will be ranged from $40.00 to $75.00 per order.

Being very conscious of costs, the comptroller in one firm related that a few large orders per month should not necessarily entitle a customer to daily fill-in orders. He further stated that since wholesalers have continued to deliver small orders, they are as responsible for this situation developing as are the food service operators who have not taken the necessary measures to provide for adequate storage facilities and inventory control procedures. Some sales executives did not agree with this point of view. Many interviewees feel that situations arise whereby fill-in orders are justified. However, they also feel that many fill-ins could be eliminated if buyers would "think out" their requirements before placing their orders or if salesmen would perform more effective analyses of their customers' requirements.

Although some of the principals are anticipating reducing certain services now extended, the primary objective of the wholesalers remains unchanged; that is, to provide more adequate and effective service for their customers. The wholesalers realize that this can best be accomplished by operating an efficient wholesaling business and by providing those services which they can perform more economically than food service operators can perform for themselves.

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