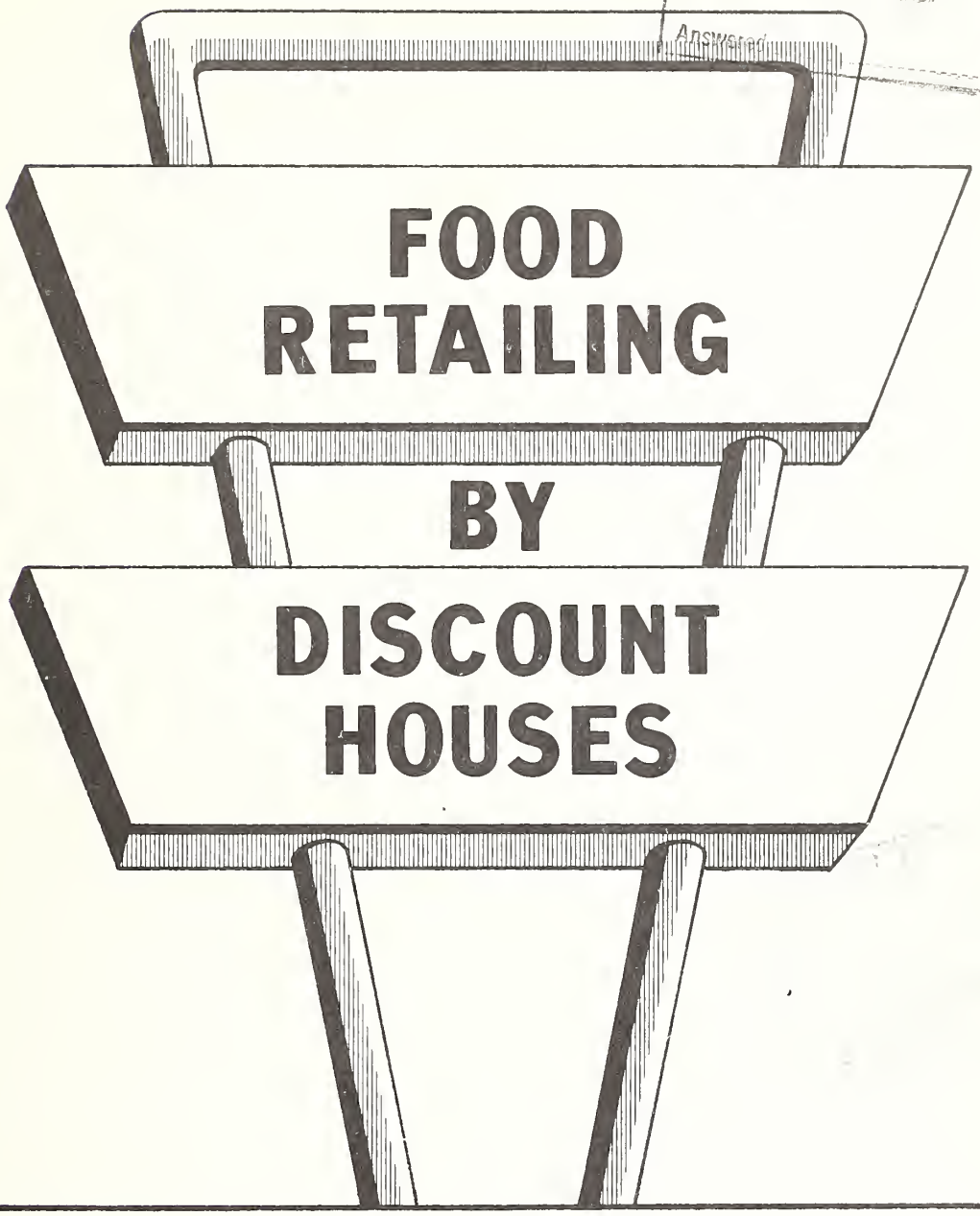
FOOD RETAILING BY DISCOUNT HOUSES



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PREFACE

This study examines the impact and implications of retail food operations by discount houses on conventional retail food distribution. Special acknowledgment is due the late Rudolph L. Treuenfels, formerly executive president of the National-American Wholesale Grocer's Association, William Applebaum, lecturer in food distribution and comparative marketing at the Harvard University Graduate School of Business Administration, Richard G. Zimmerman, former publisher of Super Market Merchandising, and Nathaniel Schwartz, editor-in-chief, Super Market Merchandising, for their counsel during the planning stages of the study.

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SUMMARY

Discount food stores had significantly higher average weekly sales and were open fewer hours during the week than conventional food stores studied in 10 Standard Metropolitan Statistical Areas in the United States in January and February 1964. Despite the substantial differences in total sales volume, the departmental distribution of sales of the chain, independent, and discount food stores was not different.

The discounters' gross margins on selling prices were significantly lower than those of the conventional food stores, as were "other costs" (defined as all costs except labor costs). The discounters' labor costs as a percentage of sales were also significantly lower although their wage rates were not significantly different from those paid by conventional retailers. Discounters sales per man-hour and sales per full-time-equivalent employee averaged higher than for conventional retailers. These differences were not wholly attributable to differences in sales size, indicating that the discounters made more efficient use of employees.

The discounters also had both a higher customer count and a higher average sale per customer, yet they offered their customers a smaller variety of merchandise. An examination of prices for 30 identical items showed that the discounters' prices were significantly lower. The discounters had larger stores both in terms of total store and selling area, and also had larger parking lots.

All of the stores in the sample advertised. The chains and discounters had identical advertising costs as a percentage of sales, yet their media-use patterns differed. Their patterns of buying merchandise for resale also differed.

Some of the chain respondents said that their stores had been affected by discounters' competition. However, both for those stores affected and for those not affected by discounting, management took similar actions to meet the threat of this new competition. The most common reactions to the threat of discount competition were reduced prices and increased advertising and promotional activity. A smaller percentage of the independent food stores indicated that they had felt the impact of competition from discount food stores. Their actions to meet the competition of discounters were similar to those taken by chain stores.

Three-fourths of the wholesalers included in the study stated that discounting had little or no effect on their sales volume. Half of those affected by discounting had actually increased their sales volume; the other half had suffered from discounters' competition.

Operators of discount food stores felt that discounting had many advantages over conventional food retailing. However, two aspects of discounting that were cited as advantages by many discounters were viewed as disadvantages by others. As advantages, these were described as the possibility of achieving a high sales volume, and the smaller variety and assortment of merchandisie required. However, as disadvantages they were described as "the need to achieve a high sales volume," and "the limitations imposed by a smaller variety and assortment of merchandise."

When representatives of discount stores were asked if the price structure of the store allowed the discounter to earn a profit, all but one respondent answered "yes." This respondent stated that it was management's intention to have a price structure geared to breaking even on the food operation.

FOOD RETAILING BY DISCOUNT HOUSES

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INTRODUCTION

Trade sources estimate that retail food sales by enterprises in or associated with discount houses 1/ amounted to $3.4 billion in 1965. 2/ This indicates a growth in sales of over 800 percent from 1960. The same source estimates that free-standing discount supermarkets had a 1965 sales volume of $3.0 billion dollars. Their combined volume was equal to almost 11 percent of 1965 retail food sales (estimated at $60.0 billion).

Many questions have been and continue to be raised about food discounting. Is it an innovation as significant as the introduction of the supermarket? Do discount food stores have economies of scale that conventional food stores do not? Is the variety and assortment of merchandise carried by discounters as complete as will be found in conventional food stores? Are discount house food departments operated at a loss in order to increase customer traffic? If so, are these losses subsidized by other departments of the discount houses? Are discount food prices lower than those in conventional food stores? Have the operators of conventional food stores made substantial changes in store operations to meet this new type of competition? What effect will food discounting have on food distribution?

The purpose of this study was to seek the answers to these questions by comparing the operations of conventional and discount food retailers and evaluating the economic implications of the differences found to exist.

Types of Establishments Selling Food at Discount

Food is sold at discount through three distinct types of establishments:

1. A food department that is a component part of a discount house.
2. A free-standing supermarket located adjacent to a discount house, which through advertising or proximity to the discount house implies that it offers its wares at discount.
3. A free-standing conventional appearing food store, not adjacent to a discount house, which through advertising, merchandising, or promotional activity claims or implies that it offers its wares at discount.

1/ See appendix, p. 22, for definition of "discount house."

2/ The True Look of The Super Market Industry. Super Market Merchandising 31(4): 37-55. Apr. 1966.

Methodology

A sample of chain, independent, and discount food stores was studied in each of the following standard metropolitan statistical areas: 3/

Chicago, Ill.	Miami, Fla.
Dallas, Tex.	Minneapolis, Minn.
Detroit, Mich.	Philadelphia, Pa.
Hartford, Conn.	San Francisco, Calif.
Los Angeles, Calif.	St. Louis, Mo.

Interviews were conducted in January and February 1964 by Audits & Surveys Co., Inc., under contract with the U.S. Department of Agriculture. In total, 164 interviews were completed with representatives of 37 food chains, 48 independent retailers, and 42 discount food retailers. Each conventional retail food chain was asked to furnish information for two of its stores in the same trading area. One store was to be a unit that the chain considered to be typical of its operations in the trading area. The other was to be a unit located close to a discount food operation, or experiencing competition from one. 4/

Forty-four wholesalers operating in the 10 areas were interviewed to obtain their opinion of the impact of discounting on the sales of their customers engaged in conventional food retailing. Their principal lines of merchandising were dry groceries, meat, produce, and frozen foods.

Each of the characteristics or attributes of food retailing was studied separately, contrasting the data for each of the three types of stores studied. Where the differences in the attributes being studied exceeded those that could be expected to occur by chance 95 out of 100 times, they were considered to be "significant" and to denote areas where differences between conventional and discount food operations do exist. They are referred to as "differences" or "significant differences" in the report. When the differences are not significant they are referred to as "nonsignificant," "chance variation," or "due to sample variation."

Although averages have been used liberally throughout the report, they have been computed to facilitate comparative analysis rather than to present any industry-wide "norms." The analysis concentrates on quantifying such attributes as average weekly sales; gross margins; labor costs, wage rates, and labor efficiency; and costs other than labor costs, and on determining the significance of any apparent differences in these attributes.

COMPARISON OF CONVENTIONAL AND DISCOUNT FOOD RETAILING

The data furnished by the sample stores showed that there were many significant differences between the discount food retailers and the conventional food stores. From an operational point of view there were differences in average weekly sales, gross margins, labor costs, costs other than labor costs, labor utilization, sales

3/ The standard metropolitan statistical areas selected were those that at the time of the study showed the greatest amount of activity in discount food retailing. For definition see appendix, p. 22.

4/ Inasmuch as virtually no differences were discovered between the two kinds of chain stores, separate tabulations for each are not shown except where differences were discovered or points of interest noted.

per customer, and number of customers. From a merchandising viewpoint there were differences in the variety and assortment of merchandise and in prices. From a physical point of view there were significant differences in total store size, selling area, and parking facilities.

Average Weekly Sales

The average weekly sales of the discounters in the sample, $53,718, were significantly larger than average sales of the conventional food stores studied. 5/ The weekly sales of the chain supermarkets in the sample averaged $40,270 as contrasted with $28,478 for the independents (appendix table 18). The significance of this is evident when a supermarket is defined as a retail food store having annual sales of $1 million or more (average weekly sales of $19,200 and over). For in 1963 there were only 14,464 retail food stores qualifying as supermarkets under this criterion. These 14,464 supermarkets constituted only 5.9 percent of the total grocery stores, but made 50.2 percent of the grocery store sales. 6/

Distribution of Sales by Departments

Although food items can be readily segregated into groups of like products, food stores differ somewhat in the specific items assigned to the various departments. This can be attributed generally to differences in internal organization of food retailing firms. In the three types of food stores studied, the grocery departments were alike in that a comparable percentage of stores of each type sold soap and dairy items as well as groceries in their grocery departments. Because many of the food discount operations were in some way associated with a general line discount house, a smaller percentage of discounters than of conventional retailers included health and beauty aids, household items, and records and books in their grocery departments, since they were sold in other departments of the discount house (table 1). A higher percentage of discounters than of conventional retailers included frozen foods in their grocery departments. This may have resulted in a slight overstatement of the discounters' grocery gross margin as reported in this study.

Recognizing these differences and without consideration of possible differences in sales mix, we can divide sales into three broad categories: groceries, meat, and produce. The discount stores had a slightly higher proportion of grocery sales than the conventional food stores, and a slightly lower proportion of meat and produce sales (table 2). However these differences could be the result of sampling variation or chance.

Gross Margins

Gross margins 7/ on selling prices averaged significantly lower in the discount food stores for the grocery, meat, and produce departments and for the entire

5/ For discounters, refers to sales of food department only.

6/ U.S. Bureau of the Census. Census of Business, 1963, Retail Trade: Sales Size. BC63-R52, U.S. Govt. Printing Off., pp. 2-22. 1965.

7/ "Gross margin" as used here is the difference between the cost and the selling price divided by the selling price. See p. 10, for price comparisons.

Table 1.--Percentage of sample stores carrying items in addition to groceries in the grocery department

Item	Chain	Independent	Discount
		Percent	
Soap	100	100	97
Household items	100	98	66
Dairy	89	81	84
Health and beauty aids	88	94	66
Magazines	82	75	71
Frozen food	81	85	92
Records and books	78	71	55
		Number	
Stores in sample	74	48	38

Table 2.--Departmental distribution of sales, sample stores

Department	Chain	Independent	Discount
		Percent	
Grocery 1/	65.3	63.6	68.2
Meat	24.8	26.5	23.5
Produce	9.9	9.9	8.3
Total	100.0	100.0	100.0

1/ All items but meat and produce are included in the grocery department.

food store than in the conventional food stores in the sample (table 3). The gross margins of the chain supermarket and independent food stores were not significantly different.

Labor Costs, Wage Rates, and Labor Efficiency

Labor Costs

Although the discount food stores in the sample had significantly higher weekly sales than the conventional stores, they did not have significantly more employees or pay significantly different wage rates (table 4). Consequently, labor costs 8/ as a percentage of total store sales 9/ were significantly lower for the discount

8/ "Labor costs" as used here refers to salaries plus the cost of fringe benefits and payroll taxes.

9/ For the discount stores, refers only to the food operation.

Table 3.--Average gross margin on selling price, sample stores

Department	Chain	Independent	Discount
	Percent		
Grocery	18.1	16.9	14.0
Meat	24.1	22.6	18.6
Produce	28.4	27.3	25.2
Store as a whole 1/	20.1	19.4	15.8

1/ For discount stores, refers to food sales only.

Table 4.--Labor costs as a percentage of store sales, sample stores

Department	Chain	Independent	Discount
	Percent		
Grocery 1/	4.5	4.2	4.0
Meat	2.6	2.9	2.0
Produce	1.1	1.1	1.1
Total store 2/	8.1	8.3	6.9

1/ Includes front end (management and checkout), dairy, frozen foods, etc.
2/ Total store labor costs do not equal the sum of the department labor costs because of rounding.

stores. A comparison of departmental labor costs as a percentage of total store sales reveals no significant differences for the grocery and produce departments among the three types of stores. Meat department labor costs, however, were significantly lower for the discount stores.

Hourly Wage Rates

Average hourly wage rates for four positions, full-time grocery clerks (nonsupervisory), part-time grocery clerks, full-time cashiers, and part-time cashiers, were collected for each of the three types of food stores studied. For each position, the average hourly rates ranked highest for the chains, and lowest for the independents (table 5). There was a $0.20 to $0.34 difference between the chains and the independents in rates of pay for each position, but these differences were not significant.

Average Weekly Rate of Pay, Department Managers

Average weekly pay rates for department managers in the stores studied followed a pattern similar to that for grocery clerks and cashiers (table 6). Rates were

Table 5.--Average hourly rates of pay for selected store positions, sample stores

Position	Chain	Independent	Discount
	---------- Dollars ----------		
Nonsupervisory:			
Full-time grocery clerks	2.33	2.13	2.17
Part-time grocery clerks	1.99	1.68	1.88
Full-time cashiers	2.29	1.99	2.12
Part-time cashiers	2.06	1.72	1.97

Table 6.--Average weekly rate of pay for department managers in sample stores

Position	Chain	Independent	Discount
	---------- Dollars ----------		
Grocery department manager	155.14	144.73	154.37
Meat department manager	156.21	140.68	155.58
Produce department manager	130.86	126.21	125.82

highest for the chain supermarkets and lowest for the independent food stores. An exception to this was the wage rate pattern for produce department managers, where the spread of approximately $5.00 between the highest and lowest average weekly rate was no greater than could be expected from sampling variation.

Average Number of Employees Per Store

The discount food stores had the largest average number of full-time employees per store, 26.7, followed by the chain supermarkets with 23.4 and the independent food stores with 20.1 (appendix table 19). These differences could be due to sampling variation. The independents used significantly less part-time help than either the chains or the discount food stores. The discounters averaged 18.2 part-time employees, the chains 15.3, and the independents 8.7. The difference between the discounters and the chains was not significant.

Average Number of Hours Worked Per Week

The pattern of man-hours worked per week follows that of the number of employees. The discount food stores averaged the highest number of man-hours per store with 1,442.6, followed by the chain supermarkets with 1,261.3, and the independent food stores with 1,014.5 (appendix table 20). The discounters made the greatest use of part-time employees with an average of 356.4 man-hours per store per week. The chains averaged 296.9 man-hours of part-time help per store per week, and the independents averaged 159.8--significantly less than either the chains or the discounters.

Labor Efficiency

Although there was no significant difference in the total number of hours worked by employees in each of the types of stores studied, the average weekly sales of the discount food stores were significantly higher than those of the chain supermarkets or the independent food stores. Accordingly, there was wide variation in the average sales per man-hour for each type of store, as well as differences in sales per full-time-equivalent employee. 10/ These differences cannot be attributed solely to economies of scale due to sales size, or regional variation in labor productivity; when the data were adjusted to eliminate the effects of differences in sales size and location, they still showed that the discounters used significantly fewer employees for the same volume of sales than the chains or independents, indicating that the discounters were making more efficient use of their help.

It was not possible to evaluate work methods used in the stores studied to determine whether any one type of retail outlet used more efficient work methods. However, data were collected on the use of tray-pack 11/ and cut-case 12/ shelf stocking, to provide an indication of management's concern for efficiency.

About three-fourths of the chain stores studied used the tray-pack or cut-case techniques, but most used them only for building displays or shelf stocking of a few fast-moving items. All but one of the discounters used these techniques, and more than half used them extensively throughout the store. The discounter's willingness to use tray-pack is probably due to his awareness of the need to make efficient use of his help to maintain lower margins, and of the need to replenish shelf stock quickly. Also, use of tray-pack and cut-case shelf stocking enhances the store's image of high volume and low prices.

Not all grocery items lend themselves to the tray-pack technique because of the way they are packed, possible damage to merchandise, and display space limitations. Moreover, many conventional retailers believe that tray-pack shelf stocking gives the store a drab, cluttered appearance, and do not use it for that reason.

Other Costs

To assure comparability between types of stores, and to avoid problems arising from the various accounting systems encountered, costs were segregated into two cost categories; labor costs and all other costs. Other costs include rent, heat, power, utilities, supplies, insurance, promotion, depreciation, etc. The discount food stores' other costs, 5.6 percent of sales, were significantly lower than those of the chain supermarkets and independent stores studied. Other costs as a percentage of sales were 7.3 percent for the chain supermarkets and 9.0 percent for the independents.

10/ The number of full-time employees plus one-half the number of part-time employees equals the number of full-time-equivalent employees.

11/ Tray-pack is a shelf stocking technique which utilizes portions of the packing case to simplify handling. It requires 13 to 33 percent less time than conventional shelf stocking techniques.

12/ Cut-case shelf stocking utilizes the entire packing case to facilitate handling. However, it does not allow the customer to see all of the merchandise on display.

Sales Ratios

Sales Per Man-Hour and Per Full-Time-Equivalent Employee

Two commonly used measures of efficiency in food retailing are sales per man-hour and sales per full-time-equivalent employee. In essence, both measures reflect managerial as well as employee efficiency. A high degree of managerial skill is required to attain a high sales level and to schedule the work of employees to obtain optimum utilization of their efforts. Moreover, managerial skill is needed in training and supervising employees to obtain high production levels. Although the discount stores had the highest average number of hours worked per store, and the largest number of full- and part-time employees (or of full-time-equivalent employees), they had the highest average sales per man-hour, as well as the highest average sales per full-time-equivalent employee (table 7).

Table 7.--Average sales per man-hour and average sales per full-time-equivalent employee, sample stores

Item (average per store per week)	Unit	Chain	Independent	Discount
Sales	Dol.	40,270	28,478	53,718
Hours worked	Hrs.	1,255	1,015	1,443
Sales per man-hour	Dol.	31.93	28.06	37.23
Full-time employees	No.	23.4	20.1	26.7
Part-time employees	No.	15.3	8.7	18.2
Full-time-equivalent employees	No.	31.1	24.5	34.8
Sales per full-time-equivalent employee	Dol.	1,294.86	1,162.37	1,543.62

Average Number of Customers and Average Sale Per Customer

The average number of customers served weekly, or the customer count, is indicated by the total number of transactions recorded on the cash registers in a store (appendix table 18). The weekly customer count of the stores studied ranged from 2,500 and under to over 25,000. The discounters' average weekly customer count, 9,264, was significantly higher than that of the chain supermarkets, 7,744, and the independents, 6,206. The discounters had the highest average sale per customer, $5.80, followed by the chain supermarkets, with $5.20, and the independents, with $4.59 (appendix table 21).

Variety and Assortment of Merchandise

According to trade estimates, supermarkets sell an average of 7,100 items. 13/ Item in this context means one brand of a specific product form in a specific container size. The items in a retail food store can be classified in two ways: in

13/ 33rd Annual Report of the Grocery Industry. Progressive Grocer 45(4), p. 166. Apr. 1966.

terms of variety and in terms of assortment. Variety is the width dimension of inventory. It is measured by the number of varieties of a given product, such as canned beets, that are stocked, a variety being defined as a specific product form in a specific container size. Assortment is the depth dimension of inventory. It is measured by the average number of brands carried of each variety. Hence, number of varieties carried times average assortment equals number of items. 14/

It was not possible to count the number of items stocked in the stores studied. Nor was it possible to measure the variety and assortment of all merchandise stocked in these stores. Instead the variety and assortment of green beans, coffee, and instant coffee were studied. These products were selected because they are available in great variety and in a large assortment of brands. Two types of green beans are packed in many can sizes and in many product forms such as whole vertical pack, whole, cut, and french style. Coffee was selected because of the many brands, grinds, and container sizes available. Instant coffee is also available in many brands and sizes. Moreover, because of relatively high unit costs, the coffee inventory of a supermarket represents a relatively large cash outlay.

Canned Green Beans

The discount food stores in the sample had the smallest average variety of green beans, followed by the chains and the independents (table 8). There was no significant difference in the variety of canned green beans offered by the independents and the chains. The discounters handled green beans in significantly less variety than either the independents and the discounters. The differences in assortment of green beans were too slight to be significant (table 9).

Table 8.--Average number of varieties per store, canned green beans, coffee, and instant coffee, sample stores

Product category	Varieties stocked by--		
	Chain	Independent	Discount
	Number		
Canned green beans	7.0	7.3	5.8
Coffee	8.8	7.7	6.9
Instant coffee	6.3	5.9	5.4

Table 9.--Average assortment (brands per variety) stocked per store, canned green beans, coffee, and instant coffee, sample stores

Product category	Brands of each form stocked by--		
	Chain	Independent	Discount
	Number		
Canned green beans	1.9	1.7	2.0
Coffee	4.0	3.8	3.7
Instant coffee	3.6	3.3	3.2

14/ See appendix for illustration.

Coffee

The chains stocked a significantly larger variety of coffee than the discounters (table 8). The difference in variety between the chains and the independents was not significant. The differences in assortment were slight and of no significance (table 9).

Instant Coffee

The chains stocked a significantly greater variety of instant coffee than the discounters (table 8). However, the differences in variety between the chains and the independents and the independents and the discounters were not significant as were the differences in assortment (table 9).

Inferences

In each of the product categories, the discounters had the least variety. In two of the three product categories, the discounter also ranked last in average assortment of brands. If these findings are typical of the practices of the merchants studied, there is a strong inference that discounters stock merchandise in less variety than conventional food stores, and therefore stock fewer items.

Price Comparisons

Price comparisons between stores are generally difficult to make. All stores do not carry the same varieties and brands. When price comparisons are made for a broad range of items, objectivity requires some rating of quality to insure the validity of the price comparisons. In order to avoid the problems raised in rating brands for quality, prices for 30 identical items were collected in each store. The items selected were either brands of nationally distributed merchandise commonly stocked in retail food stores, 15/ or sold on the basis of U.S. Department of Agriculture grades. It was assumed that, because the items chosen were widely used or were sold on the basis of widely known grades, and because of competition, differences in price would reflect differences in the price structures of the types of stores studied.

When a store did not stock an item, a price was estimated on the basis of one of two techniques which did not alter the price relationship between the store and all other sample stores in the area. 16/ Average item prices were computed in

15/ Selected from studies of branded merchandise stocked in retail food stores in major metropolitan areas. See appendix, p. 23, for list of items.

16/ When there were a few instances of missing prices, the procedure used for estimating missing data was that described by R. G. D. Steel and J. H. Torrie in Principles and Procedures of Statistics, McGraw Hill Book Co., Inc., New York, 1960, pp. 139-140. When the number of items missing was large, regression analysis was used.

nine of the standard metropolitan statistical areas included in the study. 17/ Analysis of the average item prices indicates that prices varied significantly from area to area.

When these differences were held constant, removing their effect from the analysis, there was no significant difference in average item prices of "typical" chain supermarkets and those considered to be in competition with discount food stores (table 10). They were virtually identical. The independents' average item prices were significantly higher than the average item prices of each of the other types of food stores in the study. Of primary interest was the fact that the prices of the discounters were significantly lower. The average item prices of the discount food stores ranged from one and one-half cents to two and one-fifth cents lower than those of the other types of food stores studied.

Table 10.--Average item price, 30 identical items in sample stores in 9 standard metropolitan statistical areas

SMSA	Chain		Independent	Discount
	Typical	Close to discount store		
	Cents			
1	32.2	32.1	32.8	32.3
2	29.0	29.5	30.6	27.8
3	31.4	31.4	31.5	29.8
4	29.7	30.1	30.6	28.4
5	30.4	30.4	31.1	27.0
6	28.8	28.9	30.3	28.5
7	31.5	31.6	31.7	29.7
8	30.4	30.1	30.8	28.5
9	31.3	31.8	31.7	29.0
Average	30.5	30.7	31.2	29.0
Difference from discounters' average item price	+1.5	+1.7	+2.2	-

In table 11, the standard metropolitan statistical areas are ranked from lowest to highest. The relative consistency of the ratings for each type of store by area indicates the relationship of the price structure to the area.

In table 12, the food stores in each area are ranked according to average item prices. The relative consistency of the ratings from area to area indicates the relationship of the price structure to the type of store.

National Brands and Private Label Merchandise

All of the retailers or headquarters personnel visited in connection with this study were asked to estimate the proportion of grocery department sales represented by national brands, by private label merchandise, by packer's label merchandise,

17/ Although data were collected in 10 SMSA's, the price comparison data in 1 SMSA could not be used.

Table 11.--Standard metropolitan statistical areas ranked according to average item prices in sample stores, by type of store 1/

SMSA	Chain		Independent	Discount	All types
	Typical	Close to discount store			
1	9	9	9	9	9
2	2	2	2.5	2	2
3	7	6	6	8	6
4	3	3.5	2.5	3	3
5	4.5	5	5	1	4
6	1	1	1	4.5	1
7	8	7	7.5	7	8
8	4.5	3.5	4	4.5	5
9	6	8	7.5	6	7

1/ Lowest rank indicates lowest average item price. When 2 or more SMSA's had the same average item prices for the same type of food store, the rankings involved were averaged and the average ranking assigned to each of the tied SMSA's.

Table 12.--Types of stores ranked according to average item prices, by standard metropolitan statistical areas, sample stores 1/

SMSA	Chain		Independent	Discount
	Typical	Close to discount store		
1	2	1	4	3
2	2	3	4	1
3	2.5	2.5	4	1
4	2	3.5	3.5	1
5	2.5	2.5	4	1
6	2	3	4	1
7	2	3	4	1
8	3	2	4	1
9	2	4	3	1

1/ Lowest rank indicates lowest average item price. When 2 or more stores within an SMSA had the same average item prices, the rankings involved were added and the average ranking assigned to each of the tied stores.

and by local brands in the stores being studied. Based on the answers given, the discount food stores had a significantly higher proportion of grocery department sales in nationally advertised brands than either the chain supermarkets or independent food stores (table 13). Smaller percentages of grocery department sales in private label, packer's label, and local brand merchandise were indicated for discounters than for conventional food stores, but these differences were no larger than would be caused by sampling variation.

Store Size and Selling Area

Both the average store size and average selling area of discount food stores were significantly larger than those of the conventional food stores (appendix tables

Table 13.--Proportion of grocery department sales in national brands, private label merchandise, packer's label, and local brands, sample stores

Kind of merchandise	Chain	Independent	Discount
National brands	71.3	72.0	76.9
Private label	15.9	14.1	12.2
Packer's label	6.8	7.9	5.3
Local brand	6.0	6.0	5.6
Total	100.0	100.0	100.0

22 and 23). 18/ Store size for the discounters averaged 22,560 square feet. The average store size of the chain supermarkets was 17,035 square feet, a fourth smaller. The independent food stores averaged 11,616 square feet, less than half the size of the discounters (appendix table 22). The discounters in the sample had the largest average selling area, 15,622 square feet as compared to 11,750 square feet for the chain supermarkets and 8,673 for the independents.

Parking Facilities

There was wide variation in parking lot capacity of the stores studied. The discount food stores had the largest lots, with an average capacity of 1,100 cars. The typical chainstore supermarkets had an average parking lot capacity of 272 cars; for chains close to discounters, the average capacity was 409 cars; for the independent stores, it was 109 cars. However, the sizes of the parking lots were not comparable in all respects. Only 14 percent of the chainstores (8 percent of the typical stores and 19 percent of those close to discount stores) were located in regional shopping centers where parking space was shared with many other retail stores. The general line discount houses, with their many departments, generally had parking facilities comparable to those of a regional shopping center.

Store Hours

The discount food stores studied opened later in the morning than the conventional food stores, and also closed later in the evening. However, the discounters were open fewer hours a week than either the typical chain stores, the chainstores close to discounters, or the independents (table 14). The discounters also had the shortest Sunday store hours. The average weekly hours of the typical chain stores, the chainstores close to discounters, and the independents were not significantly different from each other. However, the average length of time these stores were open during the week was significantly greater than the average for the discounters.

Promotional Techniques

Almost four-fifths of the chain supermarkets and slightly less than half of the independent food stores issued trading stamps to their customers, as compared with a fifth

18/ Store size for food discounters located within a discount house was based on total space they occupied in the discount house. Selling area was the actual selling area they had in the discount house.

Table 14.--Weekly store hours of sample stores

Kind of store	Stores providing information	Average time open per week	Open Sunday	
			Stores	Average time open
	Number	Hours	Percent	Hours
Chainstores:				
Typical	37	85.2	43	10.6
Close to discount store	37	83.6	54	11.0
Independents	46	83.2	54	9.8
Discounters	41	74.3	66	6.2

of the discount food stores. Two of the stores of each type studied had some form of cash register tape redemption plan. Half of the independents and slightly more than a fourth of the discounters offered price reductions on quantity purchases such as a half-case or full-case purchase of an item. Very few of the chains had a similar policy.

Advertising

Advertising costs as a percentage of sales were the same for the chain supermarkets and the discount food stores, 1.48 percent. Advertising costs of independent food stores, 1.93 percent of sales, were significantly higher than those of the discounters and the chains (table 24). Because of the nature of retail food chain bookkeeping, it was impossible to ascertain advertising costs for individual stores. However, 78 percent of the respondents at chain headquarters stated that there was no difference in the advertising costs of stores close to discount houses and of stores considered typical of the chain's operation.

Despite the fact that the chains' and the discounters' advertising costs as a percentage of sales were identical, their patterns of media use differed significantly. The chain media-use pattern also differed significantly from that of the independents. All of the stores in the sample had advertised during the month preceding the study. Newspapers were used by more stores than any other media. The chains made the greatest use of the three mass media, newspapers, radio, and television. Both the independents and the discounters used circulars and handbills to a greater extent than the chains; chains and discounters made greater use than independents of mailing pieces (table 15).

All advertising is designed to convey a message to a general or a selected audience. Often, the advertiser through layout, copy, points emphasized, consumer appeals, choice of media, etc., will attempt to project an image of his store to the consumer. The images cited by respondents as those they wished to project are ranked in table 16 by the number of times mentioned. Despite the fact that spokesmen for all three types of stores mentioned some aspect of price most frequently, and of quality next, the rankings show that there were significant differences in the images each wished to project.

Chainstore advertising appears to emphasize price, quality, and service. The independent also claims that his store is the place for price, quality, and service, but he also tries to identify with his customers by pointing out that he carries more

Table 15.--Percentage of sample stores using selected advertising media in the month preceding the study

Advertising media	Chain	Independent	Discount
	Percent		
Newspapers	92	79	79
Radio	54	21	21
Television	41	2	14
Circulars, handbills	35	58	43
Mailing pieces	27	19	31
Magazines	5	0	0
Other	5	10	2

Table 16.--Ranking of images sample stores attempt to project through their advertising, based on number of times mentioned 1/

Item	Chain	Independent	Discount
Competitive prices, better values	1.0	1.0	1.0
Quality at a reasonable price	2.0	2.0	2.0
Personalized service	3.5	4.5	4.0
Friendliness, courtesy	3.5	3.0	8.0
Convenience, ease of shopping	5.0	7.0	10.5
Variety of merchandise	6.0	11.0	8.0
Carry specialty foods	7.0	4.5	10.5
Carry nationally advertised brands	8.5	7.0	3.0
One-stop shopping	10.5	9.5	6.0
Open later hours	10.5	9.5	5.0
All other comments	8.5	7.0	8.0

1/ The lower the rank number, the greater the importance. When 2 items were tied, the ranks involved were combined, averaged, and the average rank assigned to each of the tied items.

specialty foods, and pays more attention to the wants and needs of his customers. The discounter similarly stresses both price and quality, emphasizing his lower prices are for nationally advertised merchandise. In addition he attempts to capitalize on the claim that his store hours are different for the convenience of his patrons. Those appeals subordinate to price and quality point up some of the differences between the chain, independent, and discount food operations.

Buying Patterns of Food Retailers

Purchasing patterns for the three types of stores studied differed, reflecting the operating practices of each type. Because of their centralized buying function, the chain supermarkets purchased over half of their merchandise directly from manufacturers or from brokers. The independents purchased slightly more than

three-fourths of their merchandise from wholesalers. The discounters, with their high average sales per store, made more of their purchases from wholesalers than the chains, but less than the independents (table 17).

Table 17.--Percentage of merchandise purchased from various sources by sample stores

Source	Chain	Independent	Discount
	Percent		
Wholesaler	25	42	43
Cooperative group	5	19	12
Voluntary group sponsor	6	15	8
Combined wholesale	36	76	63
Direct purchase	46	16	28
Brokers	11	1	4
Commission merchants	2	4	2
Other	5	3	3
Total	100	100	100

See appendix tables 25-27 for breakdown by groceries, meats, and produce.

SELECTED CHARACTERISTICS OF FOOD DISCOUNTERS

Discount houses fall into two general categories: open and closed operations. Open door discount houses sell to all comers. Closed door discount houses restrict patrons according to some criteria, which may or may not include the payment of a fee. Eleven of the food discount operations studied were closed door operations. Ten required the payment of fees ranging from $2.00 to $6.00, an average of $2.90. Four had no formal membership restrictions other than the payment of a fee, three restricted themselves to current or former members of the armed services, and four limited membership to city, State, or Federal employees and members of the armed services.

Membership of the closed door operations in the sample ranged from 7,000 for a store selling only food to 100,000 for the largest departmentalized discount operation. It was not possible to ascertain whether this membership was current and active, or whether it represented cumulative membership since the opening of the discount house.

Membership requirements of discount houses are broad, and can be varied to meet competition in any trading area. Moreover, for the patrons limited membership creates an aura of belonging, and for the operators it gives information about who their potential customers are. Despite these advantages, however, the closed door concept has not had widespread success. In the face of growing open door competition, many closed door discount houses have shifted to open door operation.

Discounters No Strangers to Retailing

Operators of the discount food stores in the sample were not strangers to retailing. Eighteen of the 42 discounters in the sample indicated that they were also engaged in forms of retailing other than food. When queried about whether or not they operated conventional food stores in addition to their discount outlets, 18 respondents indicated that the discount food stores they represented were operated by firms operating both conventional and discount food stores in the standard metropolitan statistical area in which the sample store was located. None of the organizations operating both discount and conventional food stores used the same name for both types of stores.

Do Food Discounters Operate at a Profit?

There have been many inferences that discount food departments are operated at a loss to attract customers to the discount house, and that other departments of the discount house subsidize them. Forty-one of the 42 respondents for discount food stores stated that the price structure of their operation allowed them to earn a profit. The other respondent said that the price structure did not allow profitable operation but that it was management's intent to break even. This is hardly indicative of widespread subsidization of food discounting.

TRADE REACTION TO FOOD DISCOUNTING

Responses from chain headquarters personnel, independent supermarket operators, and food wholesalers indicated that from an overall point of view the effect of discount food retailing on conventional food stores had been slight. However, some of the stores reported as not being affected were taking steps to counter possible effects. These were about the same steps as reported for stores already affected.

Food Chain Headquarters Officials

Only 12 of 36 respondents at chain headquarters stated that their businesses had been affected by discounting. Of these, five cited either a loss in volume or a reduction in profits. Ten of the 12 said that they took one or more of the following actions to meet this competition:

Action	Number taking
Reduced prices	8
Increased promotional activity	5
Increased advertising	3
Stressed personal service	2
Introduced trading stamps	1

Of the 24 respondents at chain headquarters who stated that their business had not been affected by discounting, 5 said that although the physical locations of some of their stores were relatively close to discounters, they were not close enough to feel any impact. Nevertheless, 11 of the 24 had taken some action to meet the threat of discounting, as follows:

Action	Number taking
Reduced prices	5
Introduced trading stamps	4
Increased promotional activity	3
Increased advertising	1
Stressed personal service	1
Stayed open longer hours	1

Independent Retailers

Fourteen of the 48 independent operators contacted stated that they had felt the impact of discounting. Two cited a 25- to 30-percent drop in sales volume. Twelve of the 14 indicated that they had taken one or more of the following actions to counter discounting's impact:

Action	Number taking
Reduced prices	8
Increased promotional activity	6
Increased advertising	6
Introduced trading stamps	2
Stressed personal service	1

Thirty-four of the independents saw themselves as little affected by discounting. Most took no action to meet discounting competition. Of those taking steps to meet this threat, three reduced prices, one changed from self-service to service meats, and one took steps to cut his operating costs.

Wholesalers

Thirty-four of the 44 wholesalers interviewed felt that they were in a position to evaluate the impact of discounting on their customers. Twelve made definite "no effect" statements; another seven said that discounting had a very slight impact on their customers' sales. Four wholesalers reported that some of their customers had been forced out of business. Other individual wholesaler comments about discounting's affect on their retailer customers were that "discounting has slowed weekend business" and that "on the whole discounting has had no effect--except for some individual cases where store is in direct competition."

The wholesalers were also able to describe some of the changes their customers had made in order to meet discounting competition. They were:

Kind of Change	Number of Mentions
Introduced trading stamps	9
Increased advertising	8
Lowered prices	8
Increased promotion	7
Opened longer hours, more days	2
Discountinued stamps to lower prices	2
Redecorated store	1

Three-fourths of the wholesalers interviewed stated that discounting had little or no effect on their own sales volume. Of those who felt any effect from discounting about half said that discounting had actually increased their sales volume; the other half said that discounting had affected their sales adversely. Eighteen wholesalers located in eight of the standard metropolitan statistical areas sold to one or more food discounters.

Operators of Discount Food Stores

Operators of discount food stores apparently have a positive outlook about discounting. When respondents were asked about advantages and disadvantages of discounting as compared with conventional food retailing, 46 percent cited only advantages, a third cited both advantages and disadvantages, almost a fifth gave no opinion, and only 2 percent cited disadvantages only. The chief advantages that discounting has over conventional food retailing, as seen by the discount store managers, are directly related to lower costs:

Advantages of Discounters	Percent mentioning
Sell at lower prices	36
Have lower overhead	24
Do not need stamps	17
Can do a larger sales volume	17
Offer one-stop shopping	14
Have lower labor costs	10
Carry a smaller variety of merchandise	7

Oddly enough, some of the advantages cited by some respondents were viewed by others as disadvantages. Those most often mentioned were the need for a higher sales volume and the smaller selection of merchandise carried.

IMPLICATIONS

Discount Food Store Basically A Supermarket

The discount food store, whether it is a component part of a general line discount house, a free-standing store adjacent to a discount house, or a free-standing discount food store, is basically a supermarket. Its physical arrangements, departmental organization, work methods, and operational techniques are those of the supermarket. However, there are differences between the discount and conventional food stores which give the discounter strong competitive advantages. These differences are not in a category which would identify the discount food store as being anything but a supermarket.

Implications of Differences Between Conventional and Discount Food Stores

Findings of this study were that the discount food stores carried a smaller variety of merchandise than their conventional competitors, and that merchandise was sold at lower prices and with lower margins in the discount food stores than in the conventional food stores. The discounters' average weekly sales were a third larger than those of the conventional chain food stores studied and 88 percent

larger than those of the independent food stores studied. Because their margins were lower, the discounters sold more units per dollar of sales than conventional food stores. Moreover, because the food discounters generally did not handle nonfood items their sales represented a higher proportion of food items than the sales of conventional food stores.

The discounters' wage rates were not significantly lower than those of the conventional food stores, but the discounters' labor costs as a percentage of sales were significantly lower. The differences in labor costs when based on the number of employees and hours worked exceeded the amount which could be attributed to variation in sales size. Obviously this was the result of greater labor productivity linked with more effective employee scheduling and utilization.

An additional advantage of discounting accrues to retailers who operate both discount and conventional food stores. This advantage exists to an even greater degree when a single warehouse and headquarters can service both types of stores. Generally, private label merchandise which can be associated with a conventional retail food operation will not be found in discount food stores operated by the same retailer. Discounters consider the fact they carry nationally advertised merchandise as being important. The nationally advertised merchandise carried in common by one retailer's conventional and discount food stores can be purchased by one team of buyers. Most clerical work, supervision, and advertising, promotional, and merchandising activities can be performed for both the conventional and the discount food stores by the same staff of specialists. Increasing discount sales volume will therefore result in proportionate reductions in per unit operating costs. Essential to the success of an operation of this nature is a consumer market that can be segmented into those who will shop the conventional food stores, and those who will shop the discount stores, but with no significant loss of customers from the conventional outlets to the discount stores. 19/

Judging from the many types of food stores--supermarkets, superettes, gourmet shops, grocery stores, meat markets, fish stores, convenience stores, etc.--the consumer food market is a many-segmented market. Moreover, consumers patronize a specific food store or stores for many reasons, such as convenience, price, variety, and assortment of merchandise. The initial merchandising appeal of the depression-born supermarket was price. The introduction and development of the supermarket ended the era of the service grocery store. However, the supermarket has matured as a retailing institution, and price, though still important, has become only one of its many appeals. Concurrent with the development of the supermarket there have been sweeping changes in the socioeconomic status of the population. We have become a more affluent people. Today's shopper is more informed and discriminating than her 1930 counterpart, and has more money to shop with and also wants more services. Yet a broad segment of the consumer food market appears to remain very price conscious. Moreover, the appeal of a "bargin" is universal.

Although food discounting appeals to other consumer buying motives, it must depend primarily on its strongest and most universal appeal, price. The discount food department as a component part of a general line discount house was probably conceived as a means of mutual benefit through the generation of added traffic for a general line discount house. It was followed by free-standing discount supermarkets located adjacent to discount houses. They, too, helped generate customer traffic and permitted an interchange of low price image between the discount house

19/ This does not preclude other types of market segmentation.

and the food store. The free-standing discount supermarket developed because of consumer interest generated by discount houses, as well as because conventional retailers became aware of how the retail food market was segmented. In a relatively short period of time, the discount food stores' sales volume has grown to almost 11 percent of "grocery store" sales. 20/

As discount food sales grew, many said that discount food stores were a fad that could not be successful. Others claimed that the food departments in discount houses were operated at a loss to generate traffic for the discount houses, and that the losses were recouped by subsidization from other parts of the discount house. No evidence was found to substantiate this claim. While profit levels of either conventional or discount food store operators were not measured in this study, all but one of the discount store operators indicated that it was their intention to earn a profit, and no operator indicated that food sales were being subsidized by other departments of the discount house. Moreover, the growth of food discounting not associated with discount houses is a good indication that food discounting is both self-sufficient and profitable.

Food Discounting and the Future

As in the case of all retail institutions, the future of discounting depends on the combination of consumer acceptance and trade initiative. Many consumers may not feel that the penny or two price saving per item is significant enough to warrant changing established shopping patterns. Conversely, to the retail food industry, which has long been noted for its low margins, this penny or two is highly significant. However, the combination of a supermarket and a general line discount house has too much to offer in terms of high customer traffic, low price image, and cost sharing to be ignored by astute merchants.

One indication of how the trade views discounting can be obtained from members of Super Market Institute. The Institute reports that one-fourth of all new supermarkets planned by SMI members for 1966 were to be discount food stores. 21/ Slightly more than half of these would be component parts of a discount house; the balance would be free standing. Seventy-five to 80 percent of those planning to operate discount food stores already operated one or more such stores or departments. These plans, reported by a significant number of retailers engaged in food discounting, indicate confidence in discounting's future.

All indications point to the continued growth of food discounting. However, its growth will likely accelerate as retailers become more aware of how the consumer market is segmented and recognize discounting's potential. Expansion into food discounting by conventional food retailers has probably been inhibited by their already large investment in conventional food facilities and their desire to maximize returns from them. The recent growth and development of discount food stores not associated with general line discount houses indicates a favorable view of discounting at this time by investors. Growth in this area will likely stimulate conventional food retailers to accelerate their entry into discount food retailing and result in a faster overall rate of growth of the discount food industry.

The ultimate share of grocery store sales that will be accounted for by discount food stores cannot be predicted. Much depends on our overall economic growth,

20/ The True Look of the Supermarket Industry. Supermarket Merchandising 31(4): 37-55, Apr. 1966.

21/ The Super Market Industry Speaks 1966. Super Market Institute, 1966, p. 19.

and the economic status of consumers. Barring widespread conversion of existing conventional supermarkets to discount food stores, the conventional supermarket will remain the principal food retailing institution for the next several years. However, discount food retailing can no longer be viewed as a fad or solely as a promotional device for general merchandise discount houses.

APPENDIX

Discounting Defined

For purposes of this study a discount house is defined as a departmentalized retail establishment with either, or a combination of, owned and leased departments, selling to either a restricted clientele or to all buyers; which through its operations, merchandising or other devices implies that it offers its wares at lower prices than will be found in conventional stores.

Standard Metropolitan Statistical Areas

The general concept of a metropolitan area, as formalized by the Bureau of the Budget in standard metropolitan statistical areas, is one of an integrated economic and social unit with a recognized large population nucleus. To serve the statistical purposes for which metropolitan areas are defined, their parts must themselves be areas for which statistics are usually or often collected. Each standard metropolitan statistical area contains at least one city of at least 50,000 inhabitants. It also includes the county of this central city, and adjacent counties that are found to be metropolitan in character and economically and socially integrated with the county of the central city. The county (or town in New England) is the basic statistical unit. A standard metropolitan statistical area may contain more than one city of 50,000 population. The largest city is considered the nucleus and usually gives the name to the area. Standard metropolitan statistical areas may cross State lines.

Variety and Assortment of Merchandise

To illustrate the meaning of "variety" of merchandise and "assortment" of merchandise as used in this report, let us assume that a store stocks canned beets as follows:

Beets Whole #303
- Brand A
- Brand B
- Brand C

Beets Whole 8 oz.
- Brand A
- Brand B
- Brand C
- Brand D

Beets Sliced #303
- Brand A
- Brand B

Beets Sliced 8 oz.
- Brand A
- Brand B

Beets Diced #303
- Brand A
- Brand B
- Brand C
- Brand D

The five underscored items are the varieties of canned beets stocked. The assortment, or average number of brands per variety, is 3, computed as follows:

$\frac{3+4+2+2+4}{5} = 3$. The number of canned beet items is 15, the number of varieties times the average assortment.

Items in Sample

The following nationally distributed, branded, or graded items comprised the sample for the price comparision portion of this study:

A. A national brand of:
1. Corn flakes, 12 oz.
2. Gelatin dessert, small
3. Evaporated milk, tall
4. Tomato soup, canned
5. Vegetable shortening, 3 lb.
6. Catsup, 14 oz.
7. Tomato sauce, 8 oz.
8. Canned luncheon meat, 12 oz.
9. Cat food, 8 oz., canned
10. Dog food, 1 lb., canned
11. Instant rice, 4 5/8 oz.
12. Pancake mix, 16 oz.
13. Peas, 1 lb., canned
14. Sliced peaches, yellow cling, # 2 1/2 canned
15. Pineapple juice, # 2 canned
16. Tea bags (16)
17. Flour, 5 lbs.
18. Dried prunes, 1 lb.
19. Whole kernel golden bantam corn, 12 oz., canned
20. Frozen orange juice, 6 oz.
21. Dry milk, 8 qt.
22. American cheese, 8 oz., sliced
23. Liquid detergent, 12 oz.
24. Pork and beans, 16 oz., canned
25. Strained peaches (baby food)
26. Cooking oil, pint
27. Salad dressing, pint

Items sold by grade:
28. Eggs, white, large, grade A, doz.
29. White potatoes, U.S. #1, 5-lb. bag
30. Broilers, chicken, whole, USDA Grade A, price per pound

Table 18.--Array of sample stores by average weekly sales

Range of average weekly sales	Chain	Independent	Discount
	Number		
Stores with sales of--			
under $20,000	10	12	3
$20,000 to 39,999	24	28	9
$40,000 to 59,999	31	3	11
$60,000 to 79,999	6	1	10
$80,000 and over	2	1	6
Total	74	46	39
	Dollars		
Average amount of weekly sales	40,270	28,478	53,718

Table 19.--Array of sample stores reporting, by average number of full-time and part-time employees

Range in number of employees in group	Chain		Independent		Discount	
	Full-time	Part-time	Full-time	Part-time	Full-time	Part-time
	Number					
Store employing--						
0	0	1	0	7	0	3
1-10	6	24	8	25	6	19
11-20	27	25	26	13	14	8
21-30	24	16	8	3	11	6
31-40	8	4	2	0	4	2
41-50	5	0	1	0	4	0
51-60	2	0	2	0	1	3
61 or over	0	0	1	0	2	1
Average employed in each group	23.4	15.3	20.1	8.7	26.7	18.2

Table 20.--Array of sample stores by average hours worked per week by full-time and part-time employees

Hours worked per week	Chain		Independent		Discount	
	Full-time	Part-time	Full-time	Part-time	Full-time	Part-time
	Number					
Stores averaging--						
0	0	1	0	7	0	3
1-100	2	17	0	15	0	9
101-200	2	9	0	12	0	9
201-300	1	10	4	6	1	6
301-400	0	15	3	2	3	2
401-500	2	7	5	4	3	4
501-600	6	3	8	2	2	1
601-700	9	4	5	0	7	1
701-800	7	1	5	0	5	1
801-900	8	2	3	0	3	2
901-1,000	12	1	3	0	5	1
1,001-1,100	4	0	4	0	0	2
1,101-1,200	3	0	2	0	3	0
1,201-1,300	0	0	0	0	3	0
1,301-1,400	4	0	0	0	0	0
1,401-1,500	2	0	1	0	1	0
1,501-1,600	3	0	2	0	0	0
1,601-1,700	1	0	0	0	1	0
1,701-1,800	0	0	0	0	0	0
1,801-1,900	1	0	0	0	0	0
1,901-2,000	1	0	0	0	0	0
2,001-2,100	0	0	0	0	0	0
2,101-2,200	0	0	0	0	0	0
2,201-2,300	2	0	0	0	1	0
2,301-2,400	2	0	1	0	2	0
2,401-2,500	0	0	0	0	0	1
2,501-2,600	0	0	0	0	0	0
2,601-2,700	0	0	0	0	0	0
2,701-2,800	0	0	1	0	0	0
2,801-2,900	0	0	0	0	1	0
2,901-3,000	0	0	0	0	0	0
3,001 and over	0	0	1	0	1	0
	Man-hours					
Average hours per store	964.4	269.9	854.7	159.8	1,086.2	356.4
Average hours per store, all employees	1,261.3		1,014.5		1,442.6	

Table 21.--Array of sample stores by average weekly customer count

Item	Chain	Independent	Discount
		Number	
Stores with count of--			
6,000 and under	22	20	17
6,001 to 12,000	42	13	11
12,001 to 18,000	5	0	7
18,001 and over	1	1	5
Total	70	34	38
		Dollars	
Average customer count	7,744	6,206	9,264
Average sale per customer	5.20	4.59	5.80

Table 22.--Array of sample stores by total store size 1/

Range in store sizes	Chain	Independent	Discount
		Number	
Stores with total size of--			
Under 9,000 square feet	11	17	2
9,000 to 14,999	16	17	6
15,000 to 17,999	15	6	8
18,000 to 26,999	22	5	15
27,000 and over	10	0	9
Total	74	45	40
		Square Feet	
Average store size	17,035	11,616	22,560

1/ Store size for discount houses which were component parts of discount houses was computed on the basis of total area occupied in the discount house, both selling and backroom areas.

Table 23.--Array of sample stores by size of selling area

Item	Chain	Independent	Discount
		Number	
Stores with selling area--			
Under 9,000 square feet	19	29	5
9,000 to 14,999	32	13	13
15,000 to 17,999	10	3	9
18,000 and over	11	1	14
Total	72	46	41
		Square feet	
Average selling area	11,750	8,673	15,622

Table 24.--Array of sample stores by advertising costs as a percentage of sales

Item	Chain	Independent	Discount
		Number	
Stores with advertising costs of--			
0.1 to 0.5 percent	2	0	1
0.6 to 1.0	5	0	7
1.1 to 1.5	15	22	14
1.6 to 2.0	9	10	10
2.1 to 2.5	3	6	2
2.6 to 3.0	1	1	0
3.1 to 3.5	1	0	2
3.6 and over	0	4	0
Total	36	42	36
		Percent	
Average advertising cost as percentage of sales	1.48	1.93	1.48

Table 25.--Percentage of grocery purchases made from various sources by sample stores

Source	Chain	Independent	Discount
		Percent	
Wholesaler	21	37	37
Voluntary group wholesaler	7	25	16
Cooperative group wholesaler	8	20	12
Commission merchant	1/	1	1
Broker	15	2	6
Direct purchases	46	12	26
Other	3	3	2
Total	100	100	100

1/ Less than 0.5 percent.

Table 26.--Percentage of meat purchases made from various sources by sample stores

Source	Chain	Independent	Discount
		Percent	
Wholesaler	35	52	57
Voluntary group wholesaler	2	8	3
Cooperative group	2	7	0
Commission merchant	1/	4	1/
Broker	3	1/	1/
Direct purchases	47	27	37
Other	11	2	3
Total	100	100	100

1/ Less than 0.5 percent.

Table 27.--Percentage of produce purchases made from various sources by sample stores

Source	Chain	Independent	Discount
	Percent		
Wholesaler	27	44	48
Voluntary group wholesaler	0	13	4
Cooperative	7	7	0
Commission merchant	17	18	18
Broker	6	1/	4
Direct purchases	39	13	23
Other	4	5	3
Total	100	100	100

1/ Less than 0.5 percent.