

SS-331

THE OPERATIONS OF THE NON-FOODS RACK JOBBER
IN THE RETAIL GROCERY TRADE

A Thesis
Presented to
the Faculty of the Department of General Business
Michigan State University of Agriculture
and Applied Science

In Partial Fulfillment
of the Requirements for the Degree
Master of Arts

by
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June 1956

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ACKNOWLEDGEMENTS

The author wishes to express his sincere appreciation to Dr. D. J. Luck for his advice and guidance in the preparation of this thesis.

Grateful acknowledgment is due to Mr. L. B. DeForest of The American Rack Merchandisers Institute and Mr. J. B. Brewer of The Toiletry Merchandisers Association for the helpful source material which they provided.

The writer wishes to thank the many rack jobbers and store managers who so graciously gave of their time to complete questionnaires which were submitted to them either in personal interviews or through the mail. These data aided greatly in analyzing some of the current practices among rack jobbers and their associations with the food industry.

The author further wishes to acknowledge his indebtedness to many others who in various ways have given their assistance.

Special appreciation is extended to my wife, Joan, for her help in editing and typing this report. Her perseverance and encouragement made the completion of this study a reality.

TABLE OF CONTENTS

CHAPTER	PAGE
I. INTRODUCTION	1
Definition of the Problem	1
Purpose of the Study	1
Importance of the Study	2
Limitations of the Study	3
Methodology	5
Sources of Information	7
II. WHY RACK JOBBING?	8
Importance of Rack Jobbing	8
Economic need for rack jobbers	8
Arguments by rack jobber	11
Why manufacturers like rack jobbers	14
Advantages of rack jobber	15
Disadvantages of rack jobber	16
Reply by rack jobber to Big Bear	19
A retailer's reply to Mr. Marks	20
Functions Performed	21
Alternatives to Rack Jobbing	21
III. HISTORICAL ANALYSIS, PRESENT STATUS, AND	
FUTURE OUTLOOK	30
Growth of the Rack Jobber	30
History of Non-Foods in Supermarkets	30
A trend appeared	31

CHAPTER

PAGE

Evidence of the validity of this	
prediction	31
Non-foods stage a comeback	32
History of Rack Jobbing	32
The store operators were receptive	35
The rack jobber to the rescue	36
Growth in the last year 1954 to 1955	36
Recent Growth of Personally Interviewed	
Rack Jobbers	38
Current Data on the Rack Jobber's Status	40
The History and Present Status of the Two	
Rack Jobbing Trade Associations	44
The Toiletry Rack Merchandisers	
Association	44
The American Rack Merchandisers Institute	45
The "Rack Jobber" and His Name	49
Present Status and Future Outlook in	
Controversy	50
Opinion given by Mr. Weiss	50
ARMI answered Mr. Weiss	51
ARMI and Mr. Weiss debated the issue	52
What Weiss thinks of non-foods	55
The Future Outlook	56
Some predictions for housewares	56

CHAPTER	PAGE
Some predictions for drugs	58
What rack merchandisers see in the future .	58
What chains hold for rack jobbers	60
A third party gazes into the crystal ball .	61
IV. A TYPICAL RACK JOBBER	63
Number of Accounts	63
Size of Salesforce	64
Duties of Salesforce	66
Steps Involved in Taking on a New Product . .	68
A Bird's-Eye View of Various Kinds of Rack	
Jobbing Operations	70
V. MERCHANDISING CONSIDERATIONS	76
Product Considerations and Types of Products .	76
Packaging Requirements	79
Pricing Considerations	85
Display Techniques	88
VI. REQUIREMENTS FOR ENTRY AND SUCCESS	95
Experience Required	95
Choosing a Location	96
Personal Contacts	96
Sources of Supply	98
Equipment Necessary	99
Personnel Requirements	100
Advertising	101

CHAPTER	PAGE
Importance of the Entrepreneurial Function . .	102
Essentials for Attaining Success in	
Rack Jobbing	103
VII. PROBLEMS INVOLVED	105
Selling Problems	105
Purchasing Problems	111
Threat of Competition	115
VIII. RELATIONSHIPS WITH RETAILERS AND MANUFACTURERS .	119
The Supermarket's Potential	119
Why Supermarkets Carry Non-Foods	120
What Is Required of the Store	124
Retailers' Compensation	126
Where-to-Buy Considerations for Supermarkets .	128
The Battle Between Supermarkets and	
Other Outlets	129
What Store Operators Say About Non-Foods	
and Rack Jobbers	134
Results of Personal Interviews with	
Eight Retailers	135
IX. CURRENT DATA COLLECTED FROM SEVENTY-SIX	
RACK JOBBERS--A SURVEY	138
General Information	138
Relationships with Grocery Stores	142
Relationships with Suppliers	151

CHAPTER	PAGE
Growth in the Last Two Years and Why	151
Various Cross-Tabulation Analyses	152
X. SUMMARY AND CONCLUSIONS	156
Analytical Approach	156
Supermarket Operations	156
A sweet blessing for many--non-foods	157
The true solution--the rack jobber	158
What Did the Rack Jobber Offer?	158
Functions and services performed	158
Types of merchandise handled	161
Problems encountered	161
Effect upon other outlets	162
Does the rack jobber offer enough?	163
Future Prediction	164
BIBLIOGRAPHY	167
APPENDIX	173

LIST OF TABLES

TABLE	PAGE
I. Percentage of Companies and Stores Buying from Various Sources	27
II. Percentage of Super Markets Buying Direct from Manufactures in Health and Beauty Aids (1951).	29
III. ARMI Membership Growth	48
IV. Percentage of Volume Done by Twelve Rack Jobbers with Various Types of Stores	65
V. Non-Food Lines in Super Markets	80
VI. Percentage of New Supers Stocking Various Non-Foods	81
VII. Average Number of Commodities and Items Handled by Food Stores	123
VIII. Per Cent Margin (Gross Profit) Contributed by Drugs and Toiletries	125
IX. Number of All Types of Stores Serviced by Seventy Rack Jobbers	140
X. Number of Grocery Stores Serviced by Seventy Rack Jobbers	141
XI. Type of Salesmen Payment Plan Used	143
XII. Per Cent of Jobbers Carrying One or More Groups of Products	145
XIII. Amount of Business Done with Chains	147
XIV. Amount of Business Done with Supermarkets	148

TABLE	PAGE
XV. Number of Years in Business As a Wholesaler . .	174
XVI. Number of Years in Business As a Rack Jobber .	175
XVII. Type and Amount of Personnel Employed	176
XVIII. Type of Product Lines Carried and Number of Stores Stocked	177
XIX. Frequency with Which Rack Jobbers Replenished Merchandise in the Majority of Their Stores .	178
XX. Number of Years in Service Merchandising Compared to the Number of Supermarkets Stocked	179
XXI. Number of Employed Salesmen Compared to the Number of Supermarkets Stocked	180

CHAPTER I

INTRODUCTION

Definition of the Problem

Much confusion has been associated with the rack jobbers and the type of middlemen they represent. The average "man-on-the-street" has little or no conception of the term "rack jobbing." Even many supermarket operators need a short explanation of the term before they can respond with any semblance of intelligence. Hence, the problem of this study is to obtain informative data telling what rack jobbers are, why and where they exist, and how they operate so that this apparent lack of knowledge can be reduced.

In this study a rack jobber is considered to be a type of wholesaler who warehouses and delivers goods, sets up the display or displays within the area provided him by the retailer, and takes full responsibility and has complete authority for reordering the stock, usually with little or no help from store personnel. Although rack jobbers exist outside the grocery field, this presentation will be directed primarily at their relationships with the food industry, unless otherwise noted.

Purpose of the Study

The purpose involved in this study, "The Operations

of the Non-Foods Rack Jobber in the Retail Grocery Trade," is to compile all available data on this type of middleman and submit the results in a final form which will prove enlightening to marketing students as well as to all interested rack jobbers and grocery merchandisers.

Factual information has been collected from numerous rack jobbers in an attempt to clearly state what type of firms rack jobbers represent, what they do, the functions they perform, and the extensiveness of their operations. Empirical data also have been gathered from various grocers so that their interpretations on the need for, usefulness of, and overall opinions of rack jobbing might further our understanding of the subject. Moreover, the purpose of this study is to analyze the history, current practices, problems, and requirements for entry and longevity of the rack jobber.

It is not the intent of this study to evolve a rule-of-thumb or a complete notion as to whether or not a rack jobber should be used by any particular retailer. This perplexing problem still remains to be solved through the sole discretion of each individual store's managerial personnel.

Importance of the Study

An objective of this study which already has been mentioned is to alleviate some of the confused thinking about a comparatively new type of middleman whom marketing

students have labeled "rack jobbers." Some of this confusion undoubtedly has stemmed from the "racking," "racket," or "racketeering" connotation which some people derive from the term "rack jobbing." Other individuals, including supermarket entrepreneurs, have been adverse to rack jobbers simply because they do not understand their type of operations.

A further need for this study is evidenced by the rising importance of rack jobbing in our business society. Rack jobbers were practically unheard of until after World War II. Today they are helping the supermarkets raise their non-foods sales to record heights. They have been praised by many manufacturers and store operators and denounced by others, but their importance is not to be denied.

Supermarket operators can read this presentation and gain a better idea of the rack jobber's usefulness and purpose. Rack jobbers, or rack merchandisers as they are sometimes called, can gain a better understanding of how their fellow business colleagues conduct their operations, and possibly some helpful methods for bettering their own businesses will be evolved. Students of marketing may be able to obtain a better comprehension of what rack jobbing entails.

Limitations of the Study

Many of the thoughts expressed within these pages are only opinions. When any rack jobber who was interviewed

by the writer was asked a question, his reply seldom was based upon anything more than his best judgment. What was thought to exist may have been non-existent.

Secondly, this study necessarily has been limited by the amount of secondary data which was available. In many cases the sources have been knowingly, or unknowingly, biased. Some of the informational data contained within this written matter has been restricted to a particular type of rack merchandiser dealing with a specific group of commodities. The author has tried to clarify all such places where limitations should be imposed.

Thirdly, the original research behind this study has been limited to a geographical portion of this country. All primary sources of data contacted by the writer, either personally or through written correspondence, have been located in the Northeastern-northcentral section of the United States. The specific area (and number of questionnaires sent) would include the following states: Michigan 12, Indiana 10, Illinois 26, Ohio 29, Wisconsin 10, New York 28, Pennsylvania 21, Minnesota 10, Maine 5, Vermont 0, New Hampshire 2, Connecticut 8, Rhode Island 3, Massachusetts 16, New Jersey 12, Maryland 6, Delaware 0, Iowa 5, Nebraska 7, Missouri 23, and District of Columbia 4.

A fourth limitation is inherent in the nature of data which have been used. Statistics have the peculiar faculty

of becoming outdated while one is writing about them.

Finally, the rack jobbers being considered are only ones dealing in non-food merchandise. Furthermore, their associations with the food industry will receive the major emphasis, even though the rack jobbers referred to are those who carry primarily non-food products.

Methodology

The first step in approaching this project was to put the purpose and problem of this study into writing. After this had been done, it was necessary to compose a tentative outline which would adequately cover the subject matter to be discussed. Although seemingly a bit unorthodox, the third step in the initial phase of this study was to derive an appropriate title that would sufficiently describe the subject matter.

Letters were written to the two rack jobbing trade associations requesting publicity for this study in the associations' trade releases. This was believed desirable in light of the fact that many of the associations' members were to receive mail questionnaires in connection with this study. Enclosed with the letters were written statements of the purpose of this study and tentative outlines. It was hoped that the letter with these two enclosures would familiarize the readers with the study.

Mr. L. Bowden DeForest of the American Rack Merchan-

disers Institute sent a very favorable reply to the author, stating his association's intentions in cooperating with the author's pending research. He further sent a dozen or so reprints of current literature on rack jobbing, current trade releases, and several unpublished manuals produced by his association. These sources of information have been used extensively throughout this study with recognition being given wherever needed.

The next step was the reading of all available literature on rack jobbers to gain a better understanding of their type of operations. Twelve rack jobbers were interviewed in Lansing and Detroit, Michigan and Columbus, Ohio areas for the same purpose. Nine of these operators were independent establishments, while three were part of rack jobbing chains (more than one unit). In order to obtain the greatest amount of information from these rack jobbers, it was promised that all statements given the author would remain anonymous. Although much credit is due these individuals, no names have been mentioned in connection with the material obtained.

In the twenty-one states previously mentioned 225¹ mail questionnaires were mailed to rack jobbers. Sixty-five questionnaires were returned. One rack jobber who replied had given up his "rack business," leaving a total of sixty-four questionnaires available for data compilation.

Information gained from the twelve personal interviews also has been used in compiling much of this data.

Eight food store operators were contacted in the Lansing, East Lansing, and Holt, Michigan shopping areas. The final step in preparing this presentation is that of recording the findings.

Sources of Information

The material contained herein has been gathered from the following sources:

1. Mail questionnaires to rack jobbers.
2. Personal interviews with:
 - a. Rack jobbers
 - b. Store managers (grocery).
3. Personal letters to trade associations.
4. Trade manuals and releases.
5. Periodical literature.

CHAPTER II

WHY RACK JOBBING?

Importance of Rack Jobbing

A more thorough investigation into the present status of the rack jobber will be conducted in the following chapter. It is sufficient here to say that today there are about as many supermarkets supplied by rack jobbers as there are those which are supplied through the direct buying offices of chains. Considering the overlapping in sources of supply, about two-thirds of all supermarkets buy through rack jobbers, and a like percentage use direct buying as one of their sources of supply.¹

Economic Need for Rack Jobbers. The supermarket managerial personnel are essentially food specialists. The large expenditure needed to hire and train new people to care for their drugs and housewares was prohibitive for many stores. One supermarket manager uses a rack jobber simply because management is so preoccupied with other matters that he is willing to have the rack jobber take over the non-foods departments in order to alleviate one problem of the multiplicity facing the firm.²

¹"Contribution of the Rack Merchandiser," Super Market Merchandising, (August, 1955), p. 2, a reprint.

²Statement by David J. Luck, Professor of Marketing,

After World War II food store operators accepted the rack jobber like a long-lost brother.

Here was a way to get extra revenue without extra effort: no inventory problems...no boning up on techniques of selling unfamiliar lines...no mistakes...no re-training of store personnel...no deliveries...no battling with drug wholesalers to get necessary brands...nothing but gravy-at least 20% of sales which amounted practically to a net profit.³

Merchants Service Company of Denver, Colorado says that buying direct just doesn't work for supermarkets because:

1. Variety of selection is all important. We carry approximately 450 items in stock. We feel that our success is greatly due to the rotation of items.

2. Individual store managers or owners cannot "reorder."

3. Even reordering, conscientiously done, is death to housewares section...a reorder is apt to sit on a grocer's shelves for many, many months.

4. Grocers cannot keep reserve stocks. Were we to do this, we could show perhaps only one tenth of the items we do at present, with probably a proportionate loss in business.

5. Grocers, generally speaking, don't know the meaning of "mark-downs." If they want turnover, they must conservatively figure on 5 per cent...and probably considerably more.⁴

Michigan State University, personal interview.

³M. M. Zimmerman, "Why Super Markets Use Rack Jobbers," Sales Management, (October 15, 1952), pp. 108, 110.

⁴"How Can Housewares Best Be Served?," Super Market Merchandising, (April, 1952), pp. 94, 95.

The article "How Can Housewares Best Be Served?" further states how some operators still maintain that if the rack jobber can service housewares, so can their supermarket organization. This is essentially correct if the chain wants to establish an organization similar to that of the rack jobber. The chain must have a separate warehouse setup and a separate buyer. It must store merchandise and send it out in odd-lots. The chain must have trained men to write orders, rotate products, and premark the goods. In short, the chain must have its own service organization. Furthermore, the chain must have enough stores in a particular area to make it profitable to supply them with merchandise delivered by non-foods delivery men and delivery trucks.⁵

Even if the chain had a complete service organization, the service wholesaler could do a greater volume of business with the same setup. The supermarket operator may be pleased with the results of his own setup, but his volume and profits would be only a fraction of what they could be if a service merchandiser were given a chance.⁶

Although these points may have been made by a biased individual, it is believed that much of the economic need

⁵Ibid., p. 95.

⁶Ibid.

for the rack jobber lies therein.

Arguments by Rack Jobber. Some large national chains have tried to increase their percentage on drugs from 25 per cent to 30 or 33 1/3 per cent by eliminating the rack jobber. The rack jobber contends that, even though the chain may be able to make a larger gross margin, any type of supermarket can make a larger profit by using the rack jobber's facilities.

One rack jobbing entrepreneur was asked by one of his salesmen to visit a grocery store manager who was giving this particular salesman a difficult time. It seems that the store manager was new at his job and was making every attempt to prove himself to his superiors. In trying to prove his capability, he was "picking at" the rack jobber's salesman to get him to "improve" the rack--lower prices, carry more of certain merchandise and less of other items, etc.

The jobber went to talk with this grocery store manager and in the course of their conversation determined that the payment the rack jobber received for his services was the real factor upsetting the store manager. The grocery store manager proceeded to tell the rack jobber that he was able to buy a case of toothpaste for ten cents less from a drug wholesaler whom he knew, whereupon the rack jobber promptly quipped, "If I had known this, you would

have been able to purchase the case for fifty cents less than my price!"⁷

From this humorous example we can gather that the rack jobber firmly believes that the services he performs are worth more than many grocery store managers realize.

Another health and beauty aids rack jobber during a personal interview gave five reasons why he was in business. These were as follows:

1. His company handles all the excise tax work for the stores (the rack jobber believed this the most important factor of all).

2. He guarantees sale of his merchandise; the store suffers no loss.

3. The rack jobber's warehouse personnel pre-price the goods; this price includes excise tax calculations.

4. His company will ship broken quantities of merchandise, whatever the store needs.

5. The store is supplied with well-lighted displays as part of the rack jobber's service.

Still another rack jobber, although specializing in housewares, related in a personal interview that at first only about 5 per cent of the supermarket operators liked houseware departments in their stores. Now these men are becoming more receptive to housewares, with about 55 per cent favoring these non-foods.

⁷Statement by an anonymous rack jobber, personal interview.

If the store decided to put in its own housewares department, it would be required to:

1. Hire personnel--buyer, merchandiser, warehousemen, salesmen, etc.
2. Provide a warehouse.
3. Purchase a special type of equipment--trucks, dollies, conveyors, skids, etc.
4. Price all merchandise.
5. Return and rotate merchandise.
6. Salvage much merchandise.

The rack jobber bases his argument upon the following three assumptions:

1. A store will sell more goods if its non-foods are serviced by an "outside expert," who knows thoroughly his line of merchandise.

2. It is necessary for the store always to refrain from tying up too much money in inventories; this capital should be free to be used elsewhere.

3. The rack jobber can buy, warehouse, deliver, and mark the goods more economically than even a regional chain organization.⁸

One rack jobber pointed out emphatically that his company sells only one thing to the stores--service. Other rack jobbers claimed that there are three main reasons why they have prospered so well. The three benefits which these rack jobbers see in their operations are: (1) service selling, (2) guaranteed sales, and (3) extra profit for the supermarket.

⁸ John D. Horn, "Merchandising Non-Food Items through Super Markets," Journal of Marketing, XVIII, No. 4 (April, 1954), p. 382.

These rack jobbers also have a host of other reasons for their success. These include:

1. Aggressive merchandising.
2. More cooperation obtained from manufacturers.
3. Educating the housewife to look for well-stocked racks.
4. Increased display space.
5. Continuous cultivation of new accounts.
6. Merchandise rotation.
7. Improved services.
8. Elimination of supers' inventory problem.
9. Lower prices gained through out-of-season purchases.
10. Better store locations.
11. Improved training of salesmen.⁹

Why Manufacturers Like Rack Jobbers. The manufacturer has his own list of reasons why rack jobbers have gained success. Manufacturers like them because they:

1. Secure broader distribution rapidly.
2. Remove slow-moving items to another location.
3. Return less merchandise.
4. Provide a single selling office for hundreds of supermarkets.
5. Require less need for an extensive selling force.
6. Keep merchandise clean and attractive.
7. Depict a form of specialized selling.
8. Represent a single point of destination for shipments.
9. Reduce manufacturers' book work and record-keeping.
10. Are aggressive promoters.
11. Reduce selling costs.
12. Provide the stores with impulse sales.
13. Are a good source for repeat business.¹⁰

⁹Nathan Kelne, "Rack Jobbers Prove Out As Merchandisers....But Now They Want Bigger Discounts," Printers' Ink, (August 13, 1954), p. 23.

¹⁰Ibid., pp. 23, 24.

Advantages of Rack Jobber. Mr. J. H. Jackson of Mulkey and Jackson Supermarkets, Chattanooga, told Retailing Daily in a recent interview,

Our jobber changes the items once a week by refilling the fast-moving products which have diminished and at the same time will remove any such items that are not moving at a satisfactory pace. The department is in tip top shape.

Mr. Jackson says that his housewares rack jobber has cut the cost of extra personnel which would significantly decrease the chain's profits from the sale of housewares. He also gave praise to the rack jobber for his maintenance of the stores' housewares departments. Mr. Jackson made special mention of the willingness of the rack operator's servicemen to exchange damaged goods, and he praised the rack organization for carefully selecting for display items that are correctly packaged, carded, and labeled.¹¹

It would be out of the question for us to do the job on these items without the service distributor. When we decided to begin the sale of housewares, we knew nothing about handling these items,¹²

says L. H. Hoying as he points out the importance of the expert handling of housewares in the forty Kroger super-

¹¹Jackson, "ARMI Service Distributor Saves Profits by Cutting Costs, Chain Executive Says," ARMI News, IV, No. 2 (February, 1956), p. 2.

¹²L. H. Hoying, "Kroger Official In Virginia Credits ARMI Distributor For Big Housewares Sales," ARMI News, IV, No. 3 (March, 1956), p. 1.

markets in the Roanoke, Virginia area.

With few exceptions supermarket chains and independent stores have been buying their soft goods and drug items through the rack distributor. The retailers have been receiving from 20 per cent to 28 per cent gross profit on health and beauty aids, while the rack jobber takes from 22 per cent to 30 per cent for his services. These services include:

1. Equipping the stores with various types of displays.
2. Arranging the merchandise on the displays.
3. Dusting and tidying of shelves.
4. Taking the stock order.
5. Guaranteeing the sale of the goods.
6. Price-marking all products.
7. Handling of excise tax reports for most stores.
8. Exercising methods of stock control.
9. Weekly delivery.
10. Allowing merchandise returns.
11. Assisting in merchandising the goods.¹³

Disadvantages of Rack Jobber. Store operators are not thoroughly convinced that they should be satisfied with their positions. They are learning that:

1. By buying direct from manufacturers they can make gross profits of 33 1/3 per cent to 40 per cent.
2. They can get "hidden" cooperative allowances for advertising, promoting, etc.
3. A top check-out girl can service the non-foods

¹³Carl Sigler, "What's Ahead In Sales of Toiletries and Soft Goods In the Grocery Field," Printers' Ink, (October 23, 1953), pp. 40, 41.

rack quite adequately.

4. They can buy from wholesale druggists who allow discounts ranging from 33 1/3 per cent to 40 per cent gross profit.¹⁴

The foregoing four thoughts expressed by some store operators cannot be thought of as indicative of the thinking of all operators. Admittedly many feel this way toward the rack wholesaler. In fact, one rack jobber stated that the "average" store manager does not like the drug department in his store regardless of the margin it yields. This rack jobber gave what he believed to be the reason for this attitude by claiming the store manager does not like this phase of his business simply because he (the store manager) does not understand his drug department's operations.¹⁵ To the writer this seems like sound reasoning because of the tendency of most human beings to be afraid or a bit cautious about those things which they know very little.

One large chain refused to remain ignorant on the subject of non-foods in its markets. Big Bear Markets of Detroit, Michigan (now taken over by the Wrigley Store's, Incorporated) looked into the operations of the rack jobbers who initially supplied their stores. They found that the

¹⁴Ibid., p. 41.

¹⁵Statement by an anonymous rack jobber, personal interview.

jobber was limited in the amount of store space he could have. They further found that the jobber's salesmen, with routes that must be covered, must hurry with their work. Although the salesmen were not at fault, they just did not have sufficient time to devote to the individual store.

This chain found that store managers had not become enough familiar with their health and beauty aids departments to offer intelligent suggestions for improvements. As a result, the health and beauty aids departments were slighted. To correct the situation Big Bear took over completely all phases of buying, warehousing, and merchandising these products.

It was found to be a rather simple job to order and stock this merchandise. The most difficult problem was the training of store supervision and personnel in the proper maintenance of displays, proper merchandise and rack location, and space allocation. It was important to this chain to establish in the minds of its customers that its stores were the best source of supply for "leading" health and beauty aids. They began to select items more carefully, rather than depending entirely upon impulse buying to dispose of a few goods on a hit-and-miss basis.

As a result of this program the Big Bear Company doubled its business in drugs in a relatively short period

of time. The chain found that its health and beauty aids sales jumped from a maximum of 1 1/4 per cent of total store sales under the rack jobber's operations to more than 5 per cent under the present marketing methods. These experimenters proved to their own satisfaction that the rack jobber "was only scratching the surface."¹⁶

Reply by Rack Jobber to Big Bear. Although the following was printed before Mr. Marks told of the success obtained by Big Bear in buying direct, the remarks to follow might well serve as a rack jobbers' rebuttal to Mr. Marks's statements.

The Redi-Pack Company of St. Louis, Missouri gave some "inside information" as to the amount of money required for a food chain to operate a wholesale housewares establishment. The Redi-Pack Company operates a warehouse of about four thousand square feet, containing more than five hundred items. It services three hundred accounts, employs fifteen people, and maintains a fleet of four delivery trucks.

The company points out that supermarkets in the immediate vicinity had previously purchased through established houseware wholesalers who were not service distribu-

¹⁶Hal Marks, Drugs and Sundries Director, Big Bear Markets, Detroit, Michigan, "How We Spur Profits from Drugs and Sundries," Super Market Merchandising, (October, 1952), pp. 67-70.

tors. When buying on this basis, the supermarket operator had the problem of visiting one or more wholesalers and of selecting a limited number of items from as many as five thousand items. The operator did not have the choice of pre-testing the sale of any particular product.¹⁷

A Retailer's Reply to Mr. Marks. The following may well represent a retailer's answer to the previously cited charges made by Hal Marks. This time it is not the rack jobbers talking; rather it is a grocery chain executive, Fred C. Pockrandt, Sr., president of the Fred W. Albrecht Grocery Company. Mr. Pockrandt cited that his company employs rack jobbers in its stores because it is

more desirable and more profitable to have a distributor service our stores direct. The profit is good--the unseasonable items are replaced with seasonable--the inventory is ample with no over-stocks in the stores or warehouse....¹⁸

Mr. Pockrandt went on to say,

We feel it takes an expert to handle this line of merchandise....slow selling items are either reduced in stock or returned, and there is less chance of shop worn items due to inefficient handling in the warehouse or through the broken package room.¹⁹

Furthermore, Mr. Pockrandt said that the rack jobber

¹⁷"How Can Housewares Best Be Served," op. cit., pp. 96, 97.

¹⁸Address before the National Association of Food Chains, Fred C. Pockrandt, Sr., ARMI News, III, No. 12 (December, 1955), pp. 1, 2.

¹⁹Ibid.

supplies proper merchandising; he keeps the non-foods department clean; he frequently displays new items; and he pre-prices and pre-packages. The conclusion drawn by Mr. Pockrandt was that the non-foods, especially housewares and toiletries, are a "growing business" for supermarkets.²⁰

Functions Performed

The four most common functions which the rack jobber performs are:

1. Buying. The store operator gives the rack jobber permission to display on the rack those items which are thought to have rapid turnover. In exchange for this freedom in choice of products the rack jobber usually guarantees sale of these products so that the supermarket does not suffer a loss if the merchandise does not sell.

2. Warehousing. The rack wholesaler maintains a warehouse or several warehouses for all of his accounts. This frees the retailer from the need of tying up his capital in a large amount of warehoused stock. The retailer is required to pay for only those items actually displayed in the store.

3. Price Marking. The retailer does not incur the cost of marking the merchandise because this task is performed by the rack jobber usually in his warehouse.

4. Store Delivery. The merchandise, case lots or broken cases, is delivered by the rack jobber to the supermarket.²¹

Alternatives to Rack Jobbing

The supermarket's means of supply other than through rack jobbers is a subject of widespread interest, not only

²⁰Ibid.

²¹Horn, op. cit., pp. 381, 382.

to the food stores but also to the rack jobbers. One rack jobber who was interviewed expressed it rather aptly by saying, "Whenever I'm at a national convention and refuse to take on a manufacturer's line, his constant threat is 'I'll go direct to the supermarket myself!'"²²

Herein lies one alternative to the rack jobber, i.e., direct sale from the manufacturer to the store. Another source which the supermarket operator can use is an established wholesaler who is not a rack jobber. In 1952 44 per cent of all supermarkets surveyed obtained some of their health and beauty aids from these wholesalers. In stationery supplies the percentage was 58, while 61 per cent of these supermarkets purchased their paper specialties from these sources. Even in men's and women's underwear more than 50 per cent of these supermarkets purchased from the wholesaler.²³

Another source of non-foods supply for the supermarket is manufacturers' rack service. Manufacturers' rack service establishments are operated quite like regular rack jobbing enterprises, but often they can offer more services to the stores because of their wider margin of profit.

²²Statement by an anonymous rack jobber, personal interview.

²³Super Market News, (November 3, 1952), p. 6.

A good example of a manufacturing company's operating its own rack service is furnished by the House of Huston, Incorporated, of Miami, Florida. This company began running various tests in supermarkets to obtain some idea of the potential for pet supplies in these retail outlets. Previous to these tests the company had sold its products through drug stores, pet shops, and department stores. The average test supermarkets sold as much as fourteen times that of their average drug store. As a result of this test data, the company organized its own rack service which now supplies more than three hundred grocery chains and thousands of independent stores. In every major city the company now has warehouse facilities and delivery equipment.

A closer look into the House of Huston will better describe the machinery of a manufacturer's rack operations.

1. All supermarkets supplied by House of Huston are supplied floor racks with signs above reading, "PAL PET SHOP Featuring Superior House of Huston Products."

2. Driver-salesmen service these racks on a regular basis. These salesmen carry all lines of merchandise with them in their trucks, and they usually visit the larger stores every week while the smaller stores are serviced biweekly or every three weeks.

3. Prices are marked on the merchandise at the company's plants.

4. The company's line of more than 150 pet products is rotated on a regular schedule. Seasonal items are given priority during the seasons in which they are in greater demand. For instance, flea powder will be pushed during the summer months, while Christmas stockings will be displayed

during the holiday season.

5. The House of Huston gives the supermarkets a gross profit of $33 \frac{1}{3}$ per cent. This gross margin is almost double the average total store margin; in addition, the store experiences a complete stock turn of nine to ten times per year.²⁴

Some of the earliest supermarkets rented out various departments such as meats, produce, and bakery on a concession basis. Likewise, non-foods were brought into some food stores through leased departments. Evidence of leasing arrangements can still be seen today.

A good example of a firm which leases departments from various supermarkets is seen in Package Apparel, Inc., Indianapolis, Indiana. This company merchandises such soft goods as men's and women's clothing, infants' and children's clothing, and sportswear. This concessionaire displays its goods on special display fixtures which it supplies. The store is usually guaranteed a minimum percentage from the leased space.

Most items are packaged in the company's warehouses. The size, description, and price are marked on the goods, which are often enclosed in cellophane wrappings. All departments are supplied with clerks who help the customers and receive payment for the goods purchased. Many departments even are equipped with dressing rooms. Again rotation

²⁴Horn, op. cit., pp. 383, 384.

of the merchandise is very important in gaining success.

The success of this company is evidenced by the fact that the weekly sales volume per foot ranges between six dollars and ten dollars. Furthermore, Packaged Apparel, Inc., now services departments in such chains as Standard Food Division of National Tea Company and Stop and Shop in the Indianapolis area. The minimum amount of space which the company considers practical for one of its departments is six hundred to eight hundred square feet.²⁵

Other sources of supply utilized by some supermarkets are brokers. The Morgan-Jones Company sells its line of household cottons to supermarkets through brokers. These brokers operate in a manner similar to those selling food products. They contact chain store buyers for manufacturers who do not have their own salesforces in a particular area.

Still another of the supermarket's alternatives to rack jobbing is a mutual sales agency which has been organized by a group of manufacturers. A mutual sales agency was organized by twelve manufacturers in Cleveland, Ohio under the name of Ohio Associated Manufacturers to sell the housewares, toys, and stationery products which these companies fabricate.²⁶

²⁵Horn, op. cit., pp. 384, 385.

²⁶Horn, op. cit., p. 385.

Super Market Merchandising conducted a survey among 350 companies, controlling 2,931 supermarkets in 45 states. One very interesting set of data was compiled on the channels used by these companies and their stores in the purchase of drugs, housewares, toys, and soft goods. There is some overlapping in the channels used because of the fact that some stores and companies used more than one channel.

Several interesting conclusions can be drawn from Table I. They are:

1. Food wholesalers, which are a comparatively new entry into the non-foods field, now hold a prominent position in these merchandise lines. In fact, more food companies buy from food wholesalers than buy from drug wholesalers.

2. Rack jobbers are receiving widespread popularity in the toys and soft goods business. Originally their stronghold was in drugs and housewares almost exclusively. The rise of the rack jobber in toys and soft goods lines is probably due to two factors: (1) drug and housewares jobbers adding to their lines and (2) the addition of many new toys and soft goods jobbers.

3. A rather large percentage of the markets are obtaining their drugs, housewares, toys, and soft goods directly from the manufacturer. In each group of merchandise the figure is well over 50 per cent.

4. It is reasonable to conclude from Table I that the larger chains are buying direct from the manufacturer more than the smaller groups. For example, 58.3 per cent of the markets buy direct from manufacturers; this proportion of the markets is controlled by only 19.3 per cent of the companies.²⁷

²⁷"Non-Foods Jump to Major Rank," Super Market Merchandising, (January, 1954), pp. 38-41.

TABLE I
PERCENTAGE OF COMPANIES AND STORES BUYING
FROM VARIOUS SOURCES*

	Drugs		Housewares		Toys		Soft Goods	
	% Cos.	% Mkts.	% Cos.	% Mkts.	% Cos.	% Mkts.	% Cos.	% Mkts.
Direct from								
Manufacturer	41.0%	67.2%	19.8%	58.3%	25.1%	65.5	45.0%	79.2%
Rack Jobber	45.1	24.1	58.8	66.8	56.3	28.4	28.6	46.6
Food Wholesaler	33.2	7.6	15.2	3.6	8.7	2.0	22.2	4.8
Other Wholesaler	22.7	12.1	28.8	36.4	35.0	11.4	25.4	4.7
Concessionaire	--	--	0.4	0.1	3.8	0.6	1.6	0.4

*Non-Foods Jump to Major Rank, "Super Market Merchandising, (January, 1954), p. 36.

A more concrete concept of size of store organization and the percentage of these stores which buy direct from manufacturers is given in Table II.

Summarily, both the supermarket operators and the rack jobbers have learned a lot about non-foods from each other. Despite the fact that many supermarkets have branched out on their own, there are still plenty that find it better to team up with the rack jobber. Both parties would profit from the additional sales from this high profit merchandise. One thing must be emphasized; the non-foods departments deserve the same promotion effort as do the other departments.²⁸

²⁸"How Can Housewares Best Be Served?," op. cit., p. 97.

TABLE II
PERCENTAGE OF SUPER MARKETS BUYING DIRECT FROM
MANUFACTURERS IN HEALTH AND
BEAUTY AIDS (1951)*

Sales Group Volume in Million Dollars	Estimated No. of Stores in Chain	% of Companies Buying Direct from Manufacturers
Up to \$1	1 store	27%
\$1 to \$5	1 to 4 stores	46
\$5 to \$15	5 to 12 stores	63
\$15 to \$40	13 to 25 stores	64
Over \$40	26 to 300 stores	80

*John D. Horn, "Merchandising Non-Food Items through Super Markets," Journal of Marketing, XVIII, No. 4 (April, 1954), p. 382.

CHAPTER III

HISTORICAL ANALYSIS, PRESENT STATUS, AND FUTURE OUTLOOK

Growth of the Rack Jobber

The history of rack jobbing has been "short and sweet." From the very inception of this type of special merchant middleman the growth has been rapid. Fewer than twenty years ago the rack merchandiser was practically non-existent. It was during the war years that these distributors gained their position in business. Today the rack jobber has carved out his place in American society and is still growing in size and stature.

History of Non-Foods in Supermarkets

To gain a better understanding of the history and future of the rack jobber it might be best to describe the way in which non-foods got their start in the supermarket. Initially non-foods were handled on a concession basis. The supermarket pioneers of the 1930's were primarily concerned with cost reduction on foods. Once they had gained success in drawing thousands of people into their stores by selling food at low prices, they decided to utilize this established traffic in selling other types of merchandise--non-foods.

They began to set up concession operations in drugs, housewares, clothing, and other non-food lines. The traffic

originally generated by the food lines was used as a source of sales for non-food items. As time went on, the supermarket operators believed that they needed more control over their total operations, and they began taking over these early concessions in non-foods as well as concessions in meats and produce. Many operators decided to eliminate non-foods entirely because there were too many other problems which required their time and energy.

A Trend Appeared. From this early start of non-foods in supermarkets some people saw an indication of a future trend. Super Market Merchandising predicted, "The Super Market of the future will be a modified department store dealing in foods and non-foods, with the food department as the magnet of attractions."¹

Evidence of the Validity of This Prediction. In 1953 the American Rack Merchandisers Institute predicted that supermarkets would sell \$135 million in housewares alone in that year.² This 1953 figure exceeds the 1949 figure of \$11 million by \$124 million. In 1949 only 7 per cent of the supermarkets stocked housewares. In 1953 75 per cent of the

¹M. M. Zimmerman, "The Rack Merchandiser's Future in the Super Market," Super Market Merchandising, (January 17, 1956), p. 1, an address.

²"Rack Jobbers," Business Week, (September 5, 1953), p. 52.

nation's supermarkets stocked housewares regularly.³

Non-foods in general reached the seven hundred million dollar mark in 1947.⁴ Further validation of the original prediction will be given in another section of this report.

Non-Foods Stage a Comeback. The period immediately preceding World War II saw only limited interest in non-foods. The sales of this merchandise ranged around the two hundred million to three hundred million dollar bracket. Then came the war and the resulting food shortages. Supermarket shelves were left with scatterings of vacant areas due to their inability to obtain many food items. The supermarket operator, therefore, renewed his interest in certain non-food products such as drugs and housewares. He filled these empty spots in his shelves with household items such as pots, pans, china, glassware, drugs, and toys. Not only did these items fill the vacancies left by the shortage of food merchandise, but they were soon to become popular lines, playing their part in maintaining volume.⁵ It was about this time that the rack jobber entered the scene.

History of Rack Jobbing

³Lawrence Gralla, "Do's and Don'ts for Supermarket Boxes," American Boxmaker, (September, 1954), p. 10.

⁴Zimmerman, op. cit., p. 3.

⁵Ibid., p. 2.

From the above discussion we might conclude that the rack jobber appeared after World War II. However, rack jobbing actually had its start about 1937 in the drug field, according to one of the rack jobbers who was given a personal interview. This Detroit rack merchandiser told the writer that his company and a rack jobber on the West Coast were the first two pioneers in the field.⁶

The West Coast rack jobber referred to in the preceding paragraph was Mr. Henry Mayers who was then a Los Angeles advertising executive. The growth of self-service drug racks in grocery stores can largely be attributed to the insight and pioneering of Mr. Mayers.

He got the idea some nineteen years ago while doing some research for a client. This initial research uncovered the sales potential of national brands of dentrifices, shaving needs, lotions, and many other household remedies.

Despite the warnings from drug wholesalers and chain executives, Mr. Mayers set up Handy Spot racks in a limited number of stores in the area. Mr. Mayers had fond hopes of someday seeing his small business grow to 250 or even 500 accounts. In August of 1952 The Mayers Company was doing five million dollars retail volume annually and servicing

⁶Statement by an anonymous rack jobber, personal interview.

2,300 stores!⁷

Although non-food lines appeared in supermarkets almost from the inception of the industry, they did not gain their momentum until after 1945. It was the service merchandiser, or rack jobber, who supplied the supermarkets with the essential prerequisites for successful operation in this field.⁸

At this critical moment in supermarket history immediately following the war, the rack jobber began to display his usefulness. He was one of those individuals who saw the possibilities for displays of housewares, toiletries, and drugs to effect high volume sales in establishments where the customer traffic was so great. By the same token, supermarket operators became aware of the sales potential in housewares, toys, and drugs, but they were not familiar with this merchandise and realized the danger of their lack of knowledge.⁹

After the rack merchandiser became aware of the possibilities of non-food lines, his first approach was toward

⁷"Pioneered Drug Racks in Grocery Stores," Printers' Ink, (August 8, 1952), p. 96.

⁸"Contribution of the Rack Merchandiser," Super Market Merchandising, (August, 1955), p. 2, a reprint.

⁹Zimmerman, loc. cit.

those supermarkets which did not carry these lines. He was able to convince the operators of these stores of their chances for high profits through sale of this merchandise. He further convinced these men of the added shopping convenience of these products.¹⁰

The Store Operators Were Receptive. There could have been no better time for the rack jobbers to drive across their point. With price controls still in force store operators were looking for ways to increase their sales and profits.

Furthermore, those operators who had forged ahead on their own were ready to listen to the rack jobber. Many of these operators had encountered difficulties. They were having trouble obtaining the well-known brands they wanted because the drug stores threatened reprisals against manufacturers and wholesalers who sold to supermarkets.

The new lines required warehouse space which the supermarkets did not have available. In order to experience satisfactory turnover it was necessary to rotate this merchandise and to buy the new lines which were constantly entering the market. In addition to the foregoing factors, the supermarkets were confronted with additional merchandising considerations with which they were not familiar and

¹⁰"Contribution of the Rack Merchandiser," loc. cit.

which could spell the difference between success and failure.¹¹

The Rack Jobber to the Rescue. In many instances it was not long before the rack jobber had persuaded the grocery store to allow him to service the non-foods shelves. The rack jobber was able to "sell himself" to the supermarket on the basis of the services he provided. The store operator was freed of the responsibility of rotating merchandise and inventorying the shelves. He further was relieved of much of the risk resulting from uncertainty of sale of any particular item. The rack jobber also assumed such functions as stock reordering, replenishing the merchandise, providing display fixtures, etc. In addition to all of these services, the rack jobber was able to give the store operators discounts up to 30 per cent of the retail price of the goods. It was not long before all types of supermarkets began to employ the services of the rack jobber.

Super Market Merchandising reports that in 1950 45 per cent of all new supermarkets built in that year had housewares departments. By 1955 the figure had increased to 88.5 per cent.¹²

Growth in the Last Year 1954 to 1955. Special

¹¹Ibid.

¹²Zimmerman, op. cit., p. 3.

questionnaires were given to the American Rack Merchandisers Institute distributors who attended the association's convention in Chicago. These questionnaires sought such information as the way in which the rack merchandisers' sales volume in 1955 compared with that of 1954 and the number of supermarkets these middlemen had added to their total number of accounts.

The newly reelected president, Philip N. Kane, of the Rawson Drug and Sundry Company, Oakland, California, read off the results of the questionnaire to the reporters at the convention. Mr. Kane reported:

1. ARMI service distributors had an average increase of 30 per cent in their volume of business (1955 over 1954).

2. Distributors serviced 17 per cent more markets during the same periods, a fact which points to the growing importance of the rack merchandising program to large and small supermarkets.

3. Rack distributors showed a 25 per cent increase in the number of items carried in their warehouses. Mr. Kane says that this reflects not only the increase in the number of products manufactured for supermarket distribution, but also the wider variety of products which the distributor has available to service the supermarkets. This wider variety means an expanded rotation of goods for the markets.¹³

Another source reporting on the rack jobber, this time in health and beauty aids, states that these distributors have increased the number of stores serviced by 22 per

¹³ARMI News, IV, No. 3 (March, 1956), p. 3.

cent within the past year.¹⁴

Mr. Mueller further points out that drug rack operators have never had more cause for optimism. Ninety-six per cent report that, in stores that they were serving for a full year or more, sales were 18 per cent higher in 1955 than in 1954. A gain of 18 per cent is remarkable when compared with a gain of about 5 per cent in total retail food sales.¹⁵

Recent Growth of Personally Interviewed Rack Jobbers

Of those rack jobbers who were interviewed personally, only one reported that the number of stores he now serves is smaller than it was two years ago. Even though this distributor suffered a decline in the number of stores serviced, he still experienced an increase of about 100 per cent in the volume of his sales--a sizeable gain, to say the least!

Of the total number of twelve rack jobbers who were given personal interviews, nine gave the writer estimates of the number of stores serviced over and above the number which they had two years ago. The approximate time period would then cover from March, 1954 to March, 1956. The average per cent of increase in number of stores was 23.2

¹⁴Robert W. Mueller, "Health and Beauty Aids Sales and Merchandising Through Rack Jobbers" (New York: Merchandising Executives Club, August 10, 1955), p. 2. (Mimeographed.)

¹⁵Ibid., p. 3.

per cent. Ten replies were received on the increase in sales volume which these rack jobbers had experienced in the last two years. The average figure there was 47.8 per cent, with no distributors reporting a decline in volume.

From all this historical data one can conclude that the rack jobbing industry has been a growing phenomenon. The reasons for this growth will be discussed in another section of this report. Although these reasons are many and varied, one basic observation can be made; the rack jobber was born through the inception of non-food merchandise in supermarkets and owes his very existence to the growth of this same merchandise in these establishments. By the same token, we can say that the sale of non-foods in supermarkets owes its existence in a large part to the rack jobber.

At times it is convenient to base a future prediction entirely upon that which has happened in the past. Pedagogically speaking, this type of reasoning is seldom valid in the dynamic business environment of today. If one were to use the historical past of the rack jobber as a basis for a prediction of what might happen in the future, one might conclude that the rack distributor will someday be the sole source of supply of the supermarkets for all non-foods. The business has grown like "Topsy" or like "Jack's beanstalk." Can we say that it will reach a point of maximum growth and

begin to level off, or will it someday be cut down like the beanstalk? Before attempting to provide answers to these questions, it would be wise to explore the position which the rack jobber now holds in our business setting.

Current Data on the Rack Jobber's Status

According to the results of a survey conducted by Super Market Merchandising as reported in Business Week Magazine, the rack jobber has made his presence well-known in our scheme of distribution. Super Market Merchandising surveyed some 350 companies having a total of 2,931 stores. Non-foods represented an average of 11.9 per cent of these stores' sales. This is an increase of 70 per cent over results of a similar survey conducted three years previous. If the figure were expressed in dollar amounts, non-foods accounted for one and seven-tenths billion dollars.

In housewares 66.8 per cent of the stores employed rack jobbers as part of their channels of distribution. Of those stores surveyed 46.6 per cent used the rack jobber in their soft goods lines; 24.1 per cent did in drugs; and 28.4 per cent used his services in toys.¹⁶

Printers' Ink conducted an interesting study with the membership of the American Rack Merchandisers Institute in

¹⁶"New Breed of Wholesaler," Business Week, (January 23, 1954), p. 41.

1954. A view of the results of this survey indicates that the rack jobber is faring well. All but one of the thirty members who participated in this study were serving more supermarkets in 1954 than ever before. Each was serving an average of ninety-one more stores than in 1952. In the same period sales figures were up a lusty 127 per cent. The amount of rack jobbing done by these distributors in relation to the other wholesaling segments of their businesses has risen 58 per cent. When the study was conducted, twenty-seven of these merchandisers were doing 82 per cent of their business as rack jobbers.¹⁷

The annual volume done in 1953 in housewares alone was \$135 million, while 75 per cent of the supermarkets stocked this type of merchandise. Of the 75 per cent who stocked housewares, 75 per cent of these were using rack jobbers' services.¹⁸

Today, of the \$2 billion annual volume in all non-food lines, about \$300 million is done in housewares alone. When the 1955 accounting is made, the rack merchandisers' own contribution to these sales should come to \$200 million or roughly two-thirds of the total housewares volume in Super Markets--1956 looms even greater. That kind of sales volume is a living monument to the

¹⁷Nathan Kelne, "Rack Jobbers Prove Out As Merchandisers...But Now They Want Bigger Discounts!," Printers' Ink, (August 13, 1954), p. 23.

¹⁸Lawrence Gralla, "Do's and Don'ts for Supermarket Boxes," American Boxmaker, (September, 1954), p. 10. (Note: these figures do not correspond with those given in Table I.)

accomplishment made by the rack merchandiser.¹⁹

Over in the drug and toiletry lines grocery stores are now doing seven hundred million dollars worth of business annually. This figure is double that done in 1952 and is equal to the total sales of all canned vegetables. Health and beauty aids rack jobbers are capturing more of this business than ever before even though they are losing some store accounts. The business which they have lost in supermarkets has been more than offset by adding thousands of new superette accounts. Another factor which has increased the volume of the rack jobber is the increase in sales he has experienced per store.²⁰

Some of the highlights of a supermarket survey on drug items conducted by Progressive Grocer in 1954 are given below:

1. The sale of drugs and toiletries amounted to \$510 million.
2. Food stores sold 40 per cent of all drug items commonly sold through food outlets.
3. Dealers approved Fair Trade for drugs and toiletries nine to one.
4. Forty per cent of all stores increased their sales

¹⁹Quoted from an address by Zimmerman, op. cit., p. 2, and ARMI News, IV, No. 2 (February, 1956), p. 3.

²⁰Mueller, op. cit., p. 2.

with special displays.

5. Supers (stores doing over \$375 thousand annual sales volume) are buying more direct from manufacturers-- while superettes (\$75 thousand to \$375 thousand annual sales volume) increased their purchases from rack jobbers.

6. Consumers have demanded drug departments in grocery stores, causing these stores to expand variety.

7. Drugs and toiletries accounted for about 5.5 per cent of grocery stores' gross profit and 3 per cent of sales.

8. Three out of every four stores will be adding more drug items, and one out of every two stores will give drugs more store space.²¹

There were some three hundred drug rack jobbers in business in 1955, and they are selling a total of \$280 million worth of goods at retail in about seventy thousand food stores. This number of stores supersedes the total number of drug stores in existence. Rack operators service about eight thousand chain store accounts, or 40 per cent of the total of these stores (chain being defined as eleven or more stores). The remaining sixty-two thousand accounts serviced by these drug rack jobbers are stores of ten or fewer under one ownership. These operators are serving an estimated 35 per cent of the nation's supermarkets, 50 per cent of its superettes, and a sizeable number of the smaller

²¹Robert W. Mueller, "Health and Beauty Aid Sales in Food Stores Up 50% Since 1952," Progressive Grocer, (April, 1954), p. 57.

type stores.²²

The History and Present Status of the Two Rack Jobbing Trade Associations

The Toiletry Rack Merchandisers Association and the American Rack Merchandisers Institute are the two trade associations for rack jobbers. The former organization was formed mainly for operators dealing in health and beauty aids, while ARMI is primarily for housewares rack jobbers. Both organizations have as a common objective the task of helping their members in such a way that they might be able to better serve their accounts. Any merchandising aids, new hot-numbers, packaging ideas, product ideas, and suggestive selling innovations are passed on to the associations' members.

The Toiletry Rack Merchandisers Association. This organization has its headquarters in Cincinnati, Ohio. The acting president at the time of the writing of this presentation was Mr. J. G. Burnham, while the executive secretary was Mr. J. B. Brewer. It was started in 1950 and, in 1954, claimed a membership of seventy active members and some

²²Robert W. Mueller, "Health and Beauty Aids Sales and Merchandising Through Rack Jobbers" (New York: Merchandising Executives Club, August 10, 1955), p. 2. (Mimeographed.)

seventy-five manufacturer associate members.²³ At the present time the active members of this association number 111.²⁴

The American Rack Merchandisers Institute. ARMI's central office is located in the famous Merchandise Mart in Chicago. Mr. Allen Levis became ARMI's first president five years ago. Today the association's president is Philip N. Kane, and the executive vice-president is L. Bowden DeForest. The total membership has exceeded three hundred and is steadily growing. In March, 1956 the combined membership of suppliers and distributors numbered 320.²⁵ In October, 1955 ARMI could boast of an active membership of forty-two rack jobbers.²⁶ The remaining portion of its membership was composed of associate manufacturer members.

ARMI has done a commendable job of informing its members of the bestsellers and creating great interest in the field through the contests it runs. It has published enlightening information on point-of-sale displays, packaging,

²³"New Breed of Wholesaler," loc. cit.

²⁴J. B. Brewer, Executive Secretary, (March 17, 1956), a letter.

²⁵ARMI News, IV, No. 1 (January, 1956), p. 1., and ARMI News, IV, No. 3 (March, 1956), p. 2.

²⁶Super Market Merchandising, (October, 1955), an ARMI advertisement taken from ARMI advertising brochure, p. 2.

types of stimulating displays, etc. For its supplier members ARMI has acquainted these manufacturers with the peculiarities of self-service selling so that these firms might design their products and their packages to cope with the selling problem. Through its efforts the affiliated membership is equipped to do a better job in distributing housewares through supermarkets.²⁷

In 1954 ARMI's thirty-nine houseware's distributor members accounted for more than a hundred million dollars annual sales in fifteen thousand United States and Canadian supermarkets.²⁸

ARMI gives the following advantages which a supermarket gains by having an ARMI member supply its store:

1. Item selection--every new item taken on by an ARMI member is reported to the association's headquarters. The results obtained are reported thirty days later to each member.
2. The store is assured the purchase of coast-to-coast offices which can find the newest, fastest-moving merchandise.
3. There is an exchange of ideas on displays, methods of operation, fixtures, and all other phases of non-foods merchandising.
4. Miscellaneous advantages of guaranteed sale, savings afforded in warehousing, and regular, dependable delivery are assured.

²⁷"Contribution of the Rack Merchandiser," op. cit., p. 3.

²⁸Printers' Ink, loc. cit.

ARMI describes its association as a "non-profit organization of service distributors and suppliers of non-food items merchandised through supermarkets."²⁹

An idea of the rapid growth of this association can be gained from Table III.

During the week of January 14-20, 1956 ARMI held its Fifth Anniversary National Convention in a prominent Chicago hotel. One of the rewarding activities at this convention was the opportunity given to those present to see 1,500 best-sellers, new products, and show specials. These products, which were displayed in three rooms of the hotel, were sent in by over two hundred associate firms and were viewed by eighty-five distributors, i.e., potential buyers. Each manufacturer handed out literature describing his products and answered questions for the rack jobbers.

Next on the agenda, several distributors acquainted with a product commented upon: (1) how the item sold, (2) how best to display the product, (3) the promotions which were used to sell the item, (4) some of the product's outstanding characteristics, such as desirable packaging, labeling, or carding. After these products had served their purpose at the 1956 ARMI convention, they were given to a non-profit

²⁹ARMI News, III, No. 12 (December, 1955), p. 1.

TABLE III
ARMI MEMBERSHIP GROWTH*
(Organized in 1951)

Date	Number of Members
June, 1953	52
January, 1954	108
June, 1954	134
January, 1955	190
December, 1955	234
March, 1956	320

*ARMI News, III, No. 12 (December, 1955), p. 4.

*ARMI News, IV, No. 3 (March, 1956), p.2.

service organization.³⁰

The "Rack Jobber" and His Name

An attitude among rack distributors which has paralleled the growth of these middlemen is their increasing disparagement due to the name by which they are called. One operator, who replied to a mail questionnaire which was sent him, tacked on a brief note at the end of his completed questionnaire. The message emphatically corrected the author by stating, "We are not in the 'rack' business!"

Further evidence supporting this attitude among rack distributors is given by Mr. Levis, past president of American Rack Merchandisers Institute, when he says the name is misleading because rack jobbers do more than handle the installation of display racks. The name which has preference among ARMI members is "service distributors" because the commodity which they sell is service. In 1953 ARMI made an attempt to change its name to erase the "rack" connotation from its title. Ironically, the ultimate decision was to leave the "rack" in the title because any change would make the new name unrecognizable.³¹

³⁰ARMI News, IV, No. 2 (February, 1956), p. 3, and ARMI News, IV, No. 1 (January, 1956), p. 2.

³¹"ARMI Head Predicts Rack Sales Will Top \$100,000,000 in '53," Advertising Age, XXIV, No. 36 (September 7, 1953), p. 46.

The rack jobber has been called a multiplicity of names. The list which is permissive in print would include rack distributor, rack merchandiser, housewares distributor or merchandiser, service merchandiser or distributor, drug and toiletry distributor or merchandiser, rack service salesman, jobber, rack operator, distributor, and merchandiser. Possibly some food store managers have even labeled him a "jack robber"; however, it is not believed that the members of the trade support this name to any large extent! The name "rack jobber" has been used extensively throughout this report because of the general acceptance of the term among marketing students.

Present Status and Future Outlook in Controversy

Opinion Given by Mr. Weiss. Mr. Weiss, who is the director of merchandising for the Grey Advertising Agency, New York, makes the statement that a number of manufacturers and supermarkets are of the opinion that the days of the rack jobber are numbered.³²

Mr. Weiss further states, "Even some rack jobbers (and I have in mind in particular several large ones in the New York area with whom I have spoken) take a dim view of the future of this distributive function."³³ Although Mr. Weiss

³²E. B. Weiss, "Where Does the Rack Jobber Stand?," Advertising Age, XXV, No. 2 (January 11, 1954), p. 68.

³³Ibid.

cannot quote any statistics or give any conclusive evidence of his forecast, he does paint a rather convincing picture for those who are debating the rack jobber's usefulness.

In addition to the dismal future which Mr. Weiss sees for the rack jobber, he challenges the present status of this middleman through a series of charges. At the conclusion of the article Mr. Weiss said, "I am sure that all of these charges do not apply to all of these distributors. I am sure some are exaggerated."³⁴

The writer of this presentation wishes neither to support nor discredit the statements which Mr. Weiss has made. Nevertheless, Mr. Weiss was correct in predicting that the rack jobber would be quick to offer a rebuttal to some of the charges he made in his article.

ARMI Answered Mr. Weiss. The three gentlemen who made the counter-attack on Mr. Weiss were all ARMI members. They were Allen Levis, ARMI's first president and vice-president of Herst-Allen, Chicago, J. Bowden DeForest, ARMI executive vice-president, and Arthur Weiss (no relation to E. B. Weiss), ARMI director from Acme Sales Company, Atlanta.

These men denounced first Weiss' tendency to treat all rack jobbers as one. The ARMI representatives point out the heterogeneous characteristics of toiletry, cosmetic,

³⁴Ibid., p. 70.

and housewares rack jobbers. Housewares are durable goods, while toothpaste, deodorants, and shaving creams are goods which are consumed.

They further disagreed with the critic when he said that the only direction which rack jobbing can take is a downward one. ARMI emphasized the growth which has taken place in the field. The association's members further pointed out the fact that Mr. Weiss omitted saying anything about the advantages which the rack jobber offers the supermarket in the way of service, guaranteed sale, product rotation, and narrowing of the cost differential in buying direct from manufacturers as opposed to dealing with a service distributor.³⁵

ARMI and Mr. Weiss Debated the Issue. The following is a point-by-point account of the charges made by Weiss and the replies which were made by the three ARMI members:

1. Weiss: The rack jobber doesn't keep accurate statistics on the movement of the items he inventories.

ARMI: We must keep these records, "if for nothing else but selfish motives."³⁶ Many rack jobbers now have IBM systems to gain deeper insight into the movement of goods.

2. Weiss: The rack jobber's service men are poorly trained and render a rather low level of service.

³⁵"ARMI Makes Point-by-Point Rebuttal of Weiss Indictment of Rack Jobbers," Advertising Age, XXV, No. 5 (February 1, 1954), pp. 2, 125.

³⁶Ibid.

ARMI: Most are given sixty to ninety days' training. The institute is also compiling a training manual.

3. Weiss: The rack jobber quite often slows down turnover by pushing poorly purchased products onto the stores. The store, rather than the rack jobber, is suffering the loss.

ARMI: The rack jobber makes money through resale and turnover of merchandise. This movement is necessary so that a profit can be earned from the small amount of space provided the rack jobber.

4. Weiss: There is a tendency for rack jobbers to shy away from nationally advertised brands and to concentrate on special purchases. This complaint is especially true in reference to the soft goods lines.

ARMI: Almost every leading housewares manufacturer is a member of ARMI. Practically all housewares rack jobbers carry such brands as: G. E., Wear Ever, Ekco, Pyrex, and Universal.

5. Weiss: The rack jobber is more interested in the discounts and allowances he receives from his suppliers than he is in stock turnover in the stores.

ARMI: It is not common for a rack distributor to look at the discounts he may gain, but rather at the particular problems of each product.

6. Weiss: Sometimes the retail selling price of the product is not low enough to be competitive because of the allowance given the grocery store plus the markup required to cover the rack jobber's costs.

ARMI: The average price on an ARMI member's products is lower than that of the major chain. One of these chain organizations checked prices and found the rack jobber lower on twenty-seven items, higher on five, and the same on the remaining items.

7. Weiss: The rack jobber, in spite of what he may say, is not in a position to practice rotation of merchandise. Frequently he does not carry a sufficient inventory to permit extensive stock rotation. Furthermore, he hesitates in taking back stock because of the expense involved. Some retailers maintain they can do a better job of merchandise rotation than can the rack jobber.

ARMI: The rack jobber may offer larger variety, but not the proper variety needed for impulse buying. Frequently a rack jobber must offer a complete line, which is

not always good; however, recently one ARMI member won over a large national account from one of the largest housewares manufacturers in the country.

8. Weiss: Store managers tend to consider their rack operations as something for which they are not responsible.

ARMI: A competent store manager will give adequate attention to his housewares. Moreover, the service man makes regular calls, sometimes as often as twice a week.

9. Weiss: The rack jobber doesn't know local competition as well as the store manager. This is one reason why store managers are being given more decision-making power by the large chain organizations, i.e., to put them in a position to meet next-door competition.

ARMI: Servicing fifteen to thirty stores in one neighborhood gives the rack merchandiser a pretty good idea of what local competition may be. A food store manager cannot be an adequate merchandiser of housewares.

10. Weiss: Service men make themselves nuisances to store personnel and customers by calling at the wrong hours. Some store managers complain that some stock shrinkage is traceable to the comings and goings of these service men.

ARMI: The good operator coordinates his schedule with that of the stores, generally arriving immediately before or after a grocery delivery, and sticks to this schedule. So closely is the schedule adhered to that the average rack jobber can find any one of his salesmen within half an hour. The difficulties associated with bread and soft drink delivery men should not be attributed to the rack merchandiser.

11. Weiss: Some retailers confess that they use a rack jobber to learn the "tricks of the trade" in handling this merchandise. After gaining this knowledge, they maintain they can do much better by buying through other channels.

ARMI: There is a good deal of expense involved in hiring a top-notch merchandiser--not a re-order, as so many store managers are. In the one instance where a chain has done this the volume of this company noticeably declined.³⁷

From this very interesting series of charges and countercharges the reader can draw the conclusion that

³⁷Ibid., pp. 2, 123.

individuals are rather widely split in their thinking on the present position of the rack jobber in our society. Obviously each party to the debate was somewhat biased in its point-of-view. This fact alone should not detract from the educational enlightenment which can be gained from the arguments brought forth.

What Weiss Thinks of Non-Foods. Weiss again attacks the rack jobber, only this time his charges are a little less bold and a little more indirect. His target this time is the position of non-food items in supermarkets. Mr. Weiss points out that non-foods now represent over 25 per cent of the supermarket's volume. The percentage gained from food sales is declining.

From this analysis Mr. Weiss suggests supermarkets are "robbing Peter to pay Paul." The food store is catering to the newest non-foods and neglecting its food items. The evidence which the author gives of this action's being a wasteful diversion of finances, brains, and energy is the decline of food stores' profit percentage from 1.8 per cent in 1939 to 1.1 per cent in 1953. These figures suggest that there has been no net profit magic resulting from years of non-food expansion.³⁸

³⁸E. B. Weiss, "Non-Food Volume of Food Supers Fog Food Consumption Picture," Advertising Age, XXV, No. 31 (August 2, 1954), p. 47.

The Future Outlook

What will be the future of rack jobbing? Again the response which one can expect to receive from this type of question will depend a great deal upon the source which is utilized in seeking an answer. The writer wishes to refrain from rendering a prediction on this subject until the final chapter in this presentation. However, in the following few paragraphs the reader can obtain some concept of various individuals' thoughts concerning the future of rack jobbing.

Some Predictions for Housewares. Super Market Merchandising conducted a survey of food stores in which was sought the answer to the following question: "What will happen to the number of items carried in housewares?" About 50 per cent of the companies said that they would increase the number of these items. They also were asked how much expansion they will be doing in 1956. The reply was that they will be spending over eight hundred million dollars in building some three thousand new supermarkets. The area per store will average 16,000 square feet as compared with 9,662 average in those markets built in 1950. In addition to obtaining these predictions of what is expected in 1956, Super Market Merchandising conducted a survey on the supermarkets that were built in 1955. The results showed that 16 per cent of these stores exceeded 20,000 square feet in

size, and the average size was 12,900 square feet.³⁹

The above observation by Mr. Zimmerman points out how supermarket operators are intending to increase both the number of houseware items carried and the size of stores which are to be built. Mr. Zimmerman further reflects upon the future of housewares rack jobbing by saying that these jobbers have already sensed the possibilities for expanding sales in such other lines as stationery, toys, selected soft goods, etc. He says there is no doubt that rack jobbers will continue this forward progress in the future.⁴⁰

Another survey was conducted among store operators by The Fred W. Albrecht Grocery Company of Akron, Ohio. The results of this study show that 90 per cent of the grocery store operators plan to increase the size of their non-food departments in the next store they open. As a side-line, 100 per cent of these stores said that their non-food sales are greater now than one year ago.⁴¹

According to the rack jobber, his type of wholesaler will be a link in our distribution system for a long, long time. Many trade observers agree; however, some feel that

³⁹Zimmerman, op. cit., p. 3.

⁴⁰Ibid., pp. 3, 4.

⁴¹Fred C. Pockrandt, "Why I Want Service Distributor for Non-Foods in Super Market," ARMI News, III, No. 12 (December, 1955), p. 1.

he may lose some of his drug business. One large national chain does only $\frac{1}{2}$ of 1 per cent of its total volume in housewares, but this store made 17 per cent of its entire profit on this small fraction of sales.⁴² Could this not be the reason for the rather balmy outlook which these rack jobbers have?

Some Predictions for Drugs. In an address by Robert W. Mueller the following comments were made on the future of the drug rack jobber:

1. The rack jobber is not going out of business in the next five or ten years. He will make up a slight loss in supermarket volume by adding superettes and smaller stores' business. He will experience a total increase in his sales per store, and the total volume of all rack operators will increase at least in proportion to the increase in drug sales in grocery stores.

2. The competition from direct buying and wholesale voluntary and cooperative grocery distributors will cause the rack jobber to become more efficient. The rack distributor is at present taking note of this necessity and giving the supermarkets a larger percentage of the retail price.

3. The rack jobber will become a better merchandiser in the future. He will become a better link between the manufacturer and the retailer by properly allocating store shelf space, providing special displays, and arranging store departments correctly.⁴³

What Rack Merchandisers See in the Future. The rack

⁴²"New Breed of Wholesaler," op. cit., p. 44.

⁴³Robert W. Mueller, "Health and Beauty Aids Sales and Merchandising Through Rack Jobbers" (New York: Merchandising Executives Club, August 10, 1955), pp. 9, 10. (Mimeographed.)

jobber is certain that he will grow larger and that he will become as permanent in the food business as the bakery and baby foods service men. He does realize that food chain buyers and wholesalers are providing strong competition. He predicts that the large chains will not find it profitable to warehouse and adequately service thousands of housewares and other non-food lines for a mere 2 per cent of their total sales volume.⁴⁴

These rack jobbers further contend that housewares are too difficult for the average store manager to display and order. These extra duties, they say, constitute too much of an added burden on store managers.⁴⁵

The writer submitted the following question to several of the rack merchandisers who were given personal interviews: "What sort of future do you predict for service merchandising?" These are eight answers which were of particular interest:

1. It's hard to say; it is changing in both directions. We are in a period of transition in which the future is highly uncertain.

2. We have increased and intend to continue increasing our business with the supers.⁴⁶

⁴⁴"Contribution of the Rack Merchandiser," loc. cit.

⁴⁵Ibid.

⁴⁶Note how this prediction contradicts several preceding forecasts.

3. We will never be eliminated.

4. If the younger generation is willing to work, the rack distributor is here to stay; however, we must continue to perform our services at a higher level.

5. There's a good future in this business. As chains try and continue to fail in buying direct from manufacturers, rack jobbers are becoming more firmly seated. The rack jobber stays in business by offering a large number of services and by keeping his profits low.

6. If the largest supers tried to go direct, their savings would be less. A good rack jobber serves his function and is worth his salt!

7. The future is unlimited when considering the independent stores. Chains are more and more going on a direct basis.

8. Within the next five to ten years we will be selling men's suits in supermarkets.

What Chains Hold for Rack Jobbers. Several national chain organizations have a rather dim view of the future for rack merchandising. These chains maintain that:

1. They have had concession operations in the past and have been successful in eventually taking over these activities.

2. They have the resources to efficiently set up their own operations.

3. They want control over every department.

4. There are many stores successfully operating their non-foods.

5. The large profits imminently would make direct operations desirable.⁴⁷

⁴⁷"Contribution of the Rack Merchandiser," op. cit., pp. 3, 4.

A Third Party Gazes into the Crystal Ball. Carl Sigler, Director of Merchandising for the Gordon Best Company, Chicago, finds evidence of a trend toward revolutionary changes in the distribution of non-foods in supermarkets. Sigler makes the following five predictions:

1. As soon as food chains have learned from the rack jobber how to merchandise non-foods, they will begin buying direct from the manufacturers and servicing their own racks. One of their check-out girls will have this duty as part of her job.

2. The independent grocer will continue to buy from rack jobbers until the grocery wholesaler persuades him to service his own racks.

3. Service, voluntary, and cooperative wholesalers will all take increased initiative in gaining more business in non-foods. They will persuade the retailer on the basis of greater discounts (33 1/3 per cent to 40 per cent). Some of these wholesalers will provide a few of the rack jobbers' services, but for much lower fees.

4. The rack jobber will continue to stay in the non-foods business by charging the stores directly in relation to the services performed. This will allow stores to cancel some of the rack jobber's services without being penalized.

5. The wholesale druggist will have to operate in the food business on a basis similar to rack jobbers. Retail druggists will continue to put pressure on wholesalers to refrain from selling to the food trade.⁴⁸

The character of the rack jobber and each supermarket involved will eventually determine the outcome of this issue. Likewise, the area of the country being considered

⁴⁸Carl Sigler, "What's Ahead In Sales of Toiletries and Soft Goods in the Grocery Field," Printers' Ink, (October 23, 1953), p. 41.

may have an influence on the future.

Apparently the rack jobber now has a secure place in our system of distribution due to his successful merchandising of non-foods in supermarkets. During his brief history the rack distributor has become seasoned and mature, and he will become stronger as he continues to improve upon the services he renders.⁴⁹

⁴⁹"Contribution of the Rack Merchandiser," op. cit., p. 4.

CHAPTER IV

A TYPICAL RACK JOBBER

The purpose of the following few paragraphs is to describe a typical rack jobber--his organization, number of accounts, size of salesforce, type of operations, etc. No attempt will be made at statistically compiling the data obtained from a mail questionnaire which was sent to some two hundred rack jobbers. This reporting will be done in a later chapter entitled, "Current Data from Seventy-Six Rack Jobbers."

Number of Accounts

Of the three hundred bonafide health and beauty aids rack operators now in business each individual jobber has an average of 235 stores for a total of seventy thousand food stores being supplied by drug rack jobbers. The average volume per jobber is one million dollars per year.¹

A poll was made among the twelve rack merchandisers who were interviewed in the Lansing and Detroit, Michigan and Columbus, Ohio areas on how many grocery stores they serviced. The average number of stores receiving rack

¹Robert Mueller, "Health and Beauty Aids Sales and Merchandising Through Rack Jobbers" (New York: Merchandising Executives Club, August 10, 1955), p. 2. (Mimeographed.)

service from each rack jobber was 370 stores. The range of stores serviced was from 110 to 1,400.

The average distance for the farthest food store serviced by these rack jobbers was 116 miles. Two jobbers serviced stores as far as three hundred miles from their warehouses, whereas only one said his most distant account was twenty miles away.

Evidence that rack jobbing does exist outside the grocery field also was obtained through personal interviewing. Eight out of the twelve jobbers who were interviewed said they serviced racks in various other types of stores. Six said they supplied drug stores in addition to their grocery stores; four supplied hardwares; three supplied general variety and dime stores; one serviced tobacco stores; and one serviced restaurants. Despite the fact that eight of these rack jobbers do supply other types of stores on a service basis, 84 per cent of all the business done by these jobbers was with food stores. Table IV shows the percentage of business done with each type of retail establishment.

Size of Salesforce

In a membership booklet published by Toiletry Merchandisers Association, seventy-five toiletry rack jobbers reported they employed a total of 823 service men. The average number of service men per jobber would then be

TABLE IV
PERCENTAGE OF VOLUME DONE BY TWELVE RACK JOBBERS
WITH VARIOUS TYPES OF STORES*

Type of Store	% of Business
Grocery	84.0%
Drug	9.5
Tobacco	2.5
Dime	2.0
Hardware	.5
Card	.5
Other	1.0
Total	<u>100.0%</u>

*Source: Personal Interviews

eleven.² The range was rather wide, from a minimum of two service men to one hundred reported by one jobber.³

Duties of Salesforce

The average number of salesmen employed by the interviewed rack operators was twelve. The range was from three to thirty-two salesmen.

The work of the salesmen may differ for the various rack jobbers. Some rack jobbers have their men take the inventory and delivery men replenish the stock. Others have salesmen take the inventory ("stock orders," as they are frequently called in the trade) at one time and deliver the required merchandise at some other time. Still other service men carry a complete line of merchandise, and thus they are prepared to restock the shelves whenever they visit the stores.

Again there is lack of uniformity as to whether the salesman, often called the service man, actually restocks the shelves or whether this task is left up to the store personnel. One rack jobber, with whom the writer had a rather lengthy conversation, was surprised to hear that the definition of a rack jobber which is being used in this

²Calculations performed by the writer of this presentation.

³"Membership Active and Associate," Toiletry Merchandisers Association booklet, (July 1, 1955).

study included as rack jobbers those individuals who drop merchandise off at the store's door without personally restocking the shelves. In the eyes of this rack jobber such a distributor **was** definitely not a rack jobber. In order to be classified as a rack jobber, the jobber's personnel must place the merchandise on the store's shelves; or so it seemed to the rack jobber interviewed.

In the definition of a rack jobber as quoted in Chapter I it is stated that these service men "usually have little or no help from store personnel in replenishing the shelves." The word "usually" gives the connotation that quite frequently these salesmen will stock the shelves on their own; however, this does not preclude the possibility of the salesmen's simply delivering the goods to the stores without restocking the shelves. Actually it was found that most of the rack jobbers interviewed receive some help from store personnel in keeping their racks supplied. It is between salesmen's visits that store manpower is most frequently engaged in these tasks.

Other duties of the salesmen might include such things as dusting the racks and the merchandise, straightening the racks, operating the trucks as though they were their own, initiating, maintaining, and terminating special promotions, taking back outdated, damaged, or slow-moving stock, and

maintaining favorable relationships with the store.⁴

Length of Business Life

The only mean figures available on the number of years a typical rack jobber has been in business are those obtained from personal interviews. The average length of time was eight and one-half years. The range extended from four to twenty years.

Steps Involved in Taking on a New Product

A service distributor may have from five hundred to five thousand items in his line. The typical rack jobber will handle about two thousand different items. Each supermarket he supplies, however, handles only one hundred to five hundred items at a time, and the jobber is continuously taking out slow-selling products and putting in new items.⁵

These new items make up the lifeblood of both the rack jobber and the supermarket. A combined effort is made by all members of the American Rack Merchandisers Institute to find these products and to put them on the racks they service. When a manufacturer's product is to be considered by a rack jobber, this is the usual chain of events:

1. The product is presented to the rack distributor

⁴Anonymous rack jobbers, personal interviews.

⁵Lawrence Gralla, "Do's and Don'ts for Supermarket Boxes," American Boxmaker, (September, 1954), pp. 10, 11.

by the manufacturer. The rack jobber tries to select only the merchandise that will gain successful sale in supermarkets. He is constantly reminding himself that, even though a product sells well in a drug or department store, there is no guarantee that it will do likewise in a grocery store.

2. Once the product is selected, it is displayed in regular store racks in test market areas. The movement of the product is recorded at periodic intervals.

3. If the product sells well in these "test area" supermarkets, it is added to the jobber's regular line of merchandise. If the product does not attain certain sales standards, it is discarded.

4. If any ARMI member finds a fast-moving product, this information is passed on to each ARMI member.⁶

According to Mr. Allen Levis, ARMI's first president, the point to remember is that a supermarket can only meet the demand for a certain product. The supermarket cannot create the demand for a product.⁷ Nevertheless, a demand for a particular item may be created through various types of displays and novel packaging ideas. Hence, the validity of Mr. Levis's statement may be questioned if the supermarket can create demand through these special displays and other promotional aids. Generally, however, it is true that the product will receive little or no sales push from store personnel.

⁶Allen Levis, "Rack Jobbers Seek New Wares for Supers: Can Your Line Meet Their Specifications?," Sales Management, (October 15, 1953), p. 78.

⁷Ibid.

A Bird's-Eye View of Various Kinds of Rack Jobbing Operations

Let's first look at a typical housewares service outlet operating in Colorado:

1. Through years of experience this firm has learned which items are satisfactory and which are duds as far as sales and turnover are concerned. As the result of years of specialization and observation, this company now carries 450 to 500 proven products.
2. By knowing pretty well which items will sell, the company can be more selective and avoid inventory losses.
3. It maintains its own warehouse, price-marks all merchandise, and delivers to all stores where the routeman set up displays and write the stores' orders each week.
4. The company rotates products when such is deemed desirable. Many items lose their selling potential over a period of time, so new items are constantly sought. Merchandise is shifted within a single store and between several stores so that impulse buying is kept at an optimum level.
5. The supermarket operators are relieved of the problem of broken-case lots cluttering backroom space, for this rack jobber alleviates the difficulty by sending only the quantity that can go on the store's rack.
6. Markdowns are employed as a device to speed turnover. If applied properly, 5 per cent is a conservative figure for markdowns.
7. This rack jobber handles all promotional, related-item sales techniques, and point-of-purchase display devices to increase sales.

The above are the basic distinguishing characteristics of the housewares rack jobber. All but one of the seven characteristics apply to the drug rack jobber also, the one exception being that rotation is not as vital in the drug rack jobbing field. Several hundred health and beauty aids items can be handled on practically a straight reorder basis,

just like top food brands.⁸

A good example of a prosperous health and beauty aids rack jobber might be The Mayers Company, located in Southern California, which supplies supermarkets in the area with Handy Spot racks.

Merchandise arriving at the company's warehouse in Los Angeles has its slot, its IBM identification, and its place on the tray that the serviceman takes into the store on the following day. It is a smooth flow of merchandise in one door, through the price-marking and assembly lines, and onto the fleet of delivery trucks. With similar precision the service man enters the store, restocks the shelves (which an advance man has checked and for which he has reordered on the previous day), and dusts and cleans the rack and its contents.

In 1952 most Handy Spot installations carried over three hundred items on a rack only four feet wide. Some of the larger racks were as much as sixteen feet long. Handy Spot guaranteed sale of all items on the rack. In addition, all products were marked with a price, tax, and total. All the retailer had to do was check the incoming merchandise against the IBM printed invoices. He was not bothered with

⁸M. M. Zimmerman, "Why Super Markets Use Rack Jobbers," Sales Management, (October 15, 1952), pp. 110, 111.

backroom stocks and had no overhead and no risk. Stock was kept abreast of the season with the latest promotions of manufacturers.⁹

Naturally not all non-foods rack jobbers handle drugs or housewares. Some build thriving businesses on toys, tobacco products, greeting cards, magazines and books, paper supplies, and/or phonograph records. A closer look at this other type of rack distributor might prove enlightening.

Music Merchants, Inc. is typical of one of these jobbers, although some of its problems are peculiar to this company alone. This firm has done a record merchandising job in drug, variety, and food stores since October, 1952. Many skeptics thought it to be nigh unto impossible to sell phonograph records in food stores. They claimed that the consumer would not buy because he would want to hear a record before purchasing it. The fallacy in their reasoning may be pointed out by the fact that Music Merchants in May, 1954 serviced 530 retail stores, including 300 supermarkets. Within a year's time they expected to increase the number to one thousand total stores. The company's volume ran about four million records a year in 1954.

The company operates four warehouses in Philadelphia,

⁹"Pioneered Drug Racks in Grocery Stores," Printers' Ink, (August 8, 1952), p. 96.

Newark, Long Island City, and Elkridge. It supplies the retailer with a display rack and sells him a supply of records for an initial price running anywhere from \$125 to \$400. Subsequent purchases also are bought outright by the retailer.

Generally speaking, Music Merchants guarantees sale of the records by replacing slow-moving numbers with the more popular records. Elliott Wexler, the company's president, claims that the records can be rotated like this at no extra cost to his firm because a slow-moving record may be in great demand in one of the company's other stores. A specially fitted truck carrying ten thousand records shuttles between the warehouses, bringing in new stock and shifting records from one area to another to assist in item rotation.

The firm has leased a fleet of station wagons for its salesmen. A salesman visits each store in his territory weekly or biweekly to refill racks, replace slow-sellers, and replace or repair damaged racks.¹⁰

In summary, it can be said that rack jobbers are a heterogeneous lot. To describe a typical rack jobber is difficult indeed. Several attempts have been made in this chapter; however, a more valid concept of a "typical" rack jobber might be obtained from a perusal of the entire con-

¹⁰"Supermarket Trade Takes on Records," Business Week, (May 8, 1954), pp. 46, 47.

tent of this study.

Not all rack jobbers operate in the same way. Some function almost like leased departments. They are given stipulated amounts of shelf or floor space by the supermarkets. There the rack jobbers own the goods and take a percentage of all goods sold. Others sell the goods to the retailers but guarantee sale. Some rack operators restock the racks; others let the stores perform this task. But in every case the rack distributor warehouses, delivers, keeps the display shelves filled (usually with little or no help from the store personnel), pre-prices the goods, and arranges any point-of-sale displays in the stores.

For all this the rack jobber collects from twenty-five to thirty cents¹¹ on the retail sales dollar. The store receives a like amount; the remainder goes to the manufacturer.¹²

There are scores of rack jobbers throughout the United States. The typical rack jobber operates on a local basis, serving a web of supermarkets from a central warehouse. Most jobbers compete for customers in the same area, and, as frequently happens in business, some are more

¹¹The present author has found these figures slightly high.

¹²"New Breed of Wholesaler," Business Week, (January 23, 1954), pp. 41, 42.

successful than others. These competitive conditions help to sift out the marginal elements in the business, leaving the average jobber a more efficient and aggressive merchandiser. This has been beneficial for both the supermarkets and the customers who shop at these markets.¹³

¹³"Contribution of the Rack Merchandiser," Super Market Merchandising, (August, 1955), p. 3, a reprint.

CHAPTER V

MERCHANDISING CONSIDERATIONS

Product Considerations and Types of Products

Probably the most important merchandising consideration is product rotation. Stock rotation is required chiefly because of the high amount of repeat traffic in the supermarkets. Roughly, every three days 75 per cent to 90 per cent of all supermarket shoppers frequent their food stores.¹

This duplicate traffic situation presents a unique merchandise problem with the solution lying in stock manipulation. The rack jobbers were among the first to discover the importance of merchandise rotation. A rack jobber may carry as many as 800 to 1,000 items in his warehouse and put only 150 in his racks. He has uncovered somewhat of a formula which reads, "The slower the repeat purchase of an item, the more necessary stock rotation becomes."²

Another factor favoring a policy of stock rotation is the seasonal demand for many non-foods products. Easter bunnies, picnic supplies, and roller skates have certain

¹E. B. Weiss, "Non-Foods in Super Markets Require Stock Rotation," Printers' Ink, (August 8, 1952), p. 29.

²Ibid.

times of year in which they sell best. Wesco Merchandise Company of Los Angeles follows the seasonal demand of its merchandise rather closely by offering its roaster merchandise only during the Thanksgiving season and then removing it from the guaranteed sales racks.³

Many of the non-foods products sold in grocery stores are bought on impulse. In other words, the grocery shopper frequently will not have the item on his prepared list of goods to be purchased, nor will he even as much as think about buying the item before entering the store. It is only after he sees the article that he decides to make the purchase.

Brand name, packaging, previously spotted advertisements, manufacturer's name or reputation, and store reputation are factors that may close the sale. Seldom does the product receive personal salesmanship. Therefore, it is common to think of these goods as being presold. Generally, it is the manufacturers of the non-foods products who assume the responsibility for "preselling" this type of merchandise.

Other product characteristics that the interviewed rack jobbers desired in their products were: (1) "nationally advertised," (2) "item dressed to sell," (3) "competi-

³"Pre-Thanksgiving Article Quotes Wesco Sales Prediction," ARMI News, III, No. 12 (December, 1955), p. 4.

tively priced," (4) "stacked neatly," and (5) "sells itself."

Mr. Carl Sigler says that it is necessary for a manufacturer of non-foods to consider using rack merchandisers in his channel of distribution since this type of middleman controls the available space for health and beauty aids in 125,000 stores and for soft goods in 15,000 stores.⁴ A more extensive list of products which have been sold through rack jobbers would include:

1. Health and beauty aids, toothpastes, cosmetics, hair preparations, etc.
2. Baby needs.
3. Toys.
4. Housewares, kitchen needs, light bulbs, extension cords, etc.
5. Records--children's, popular, and classical.
6. Magazines and books.
7. Appliances, toasters, electric frying pans, etc.
8. Soft goods, and men's, women's, and children's clothing.
9. School and stationery supplies.
10. Greeting cards.
11. Tobacco products.
12. Pet products.
13. Paper items for picnic uses, freezer, wrapping, etc.
14. Garden supplies.
15. Low-priced jewelry.
16. Cleaning products, cleansers, waxes, polishing cloths, shoe polishes, etc.

Super Market Merchandising conducted a survey in 1953 which showed what percentage of all supermarkets handled

⁴Carl Sigler, "What's Ahead in Sales of Toiletries and Soft Goods in the Grocery Field," Printers' Ink, (October 23, 1953), p. 40.

various types of non-foods. The interpreted results of this study have been given in Table V.

There were 1,713 new supermarkets opened in 1955; the extent to which these stores stocked the various non-foods merchandise is shown in Table VI.

Packaging Requirements

ARMI distributors agree that the package of any non-foods item is of great importance since the average supermarket shopper must make his decision to buy an item in about one and one-half seconds. To effect impulse sales a correctly packaged product is one that sells itself; it allows the customer to actually see and see demonstrated; and the price is clearly marked.⁵

Norman F. Greenway, president of the Folding Paper Box Association, says, "This is the supermarket era...the essence of supermarket selling is packaging...." Greenway continues, "Packaging is the backbone of supermarket-type merchandising. Packaging is the handmaiden of advertising and promotion."⁶

Ralph F. Hansen, manager of marketing for Monsanto Chemical Company's plastics division, said that the sale of

⁵"Distributors Counsel Manufacturers: 'Right Packaging' Key to 'Super' Sale," ARMI News, IV, No. 3 (March, 1956), p. 2.

⁶Ibid.

TABLE V
NON-FOOD LINES IN SUPER MARKETS*

Class of Merchandise	% of Supers Handling Average** Item Within Each Class of Mdse.
Cleaning Products	88%
Baby Needs	84
Health and Beauty Aids	80
Paper Specialties	66
Tobacco Department Products	64
Stationery	56
Magazines, Books, Records	53
Housewares and Appliances	40
Soft Goods	22
Miscellaneous(Candles, Jewelry, etc.)	38%

**Non-Foods Jump to Major Rank," Super Market Merchandising, (January, 1954), pp. 37, 38.

**Average arrived at through taking an arithmetic mean of all items in each classification. Computations were made by present writer.

TABLE VI
PERCENTAGE OF NEW SUPERS STOCKING VARIOUS NON-FOODS*

Department	% of Markets
Drugs and Cosmetics	99.0%
Housewares	88.4
Stationery	79.8
Children's Books	73.5
Toys	68.7
Magazines	67.7
Greeting Cards	59.1
Hardware	57.6
Garden Supplies	57.2
Soft Goods	52.4
Appliances	33.1

*"1955 Reached New Peaks in Sales and Stores,"
Super Market Merchandising, (January, 1956), p.37.

plastic housewares through rack jobbers had reached forty-five million dollars in 1954. He further commented on the usefulness of plastic, styrene, and polyethylene packages for all types of products. Hansen gave the following reasons why these packages have been so widely accepted:

1. Retailers are faced with fewer markdowns because products do not become soiled from handling.

2. Pilferage has become somewhat thwarted because packages are not easily broken open.

3. Housewives have been favorable toward these packages because of their reuse value. They have used polyethylene bags to enclose everything from jewelry to sandwiches.⁷

From the manufacturer's point-of-view the only salesman for his product to the consumer is his package. The package must, therefore, achieve three ends:

1. It should stop the customer by attracting attention.

2. It should tell the entire story of the item.

3. It should close the sale.⁸

The manufacturer's objectives in choosing a package are:

1. DISPLAY: To show the product clearly.

⁷"Finds Plastics Hike Supermarket Sales by Rack Jobbers," Advertising Age, (July 19, 1954), p. 59.

⁸Allen Levis, "Rack Jobbers Seek New Wares for Supers: Can Your Line Meet Their Specifications?," Sales Management, (October 15, 1953), p. 78.

2. CUSTOMER APPEAL: To use illustrations emphasizing the features not available in competitive items and dramatizing the product in use.

3. BRAND ADVERTISING: To create a package that upholds the prestige built by national advertising and consumer acceptance.

4. PROTECTION: To protect his merchandise from the production line until it reaches the consumer.⁹

To the rack merchandiser it is mandatory that the package attain quick turnover for the product. To assure quick turnover the package must:

1. Conserve space and stock easily.
2. Be strong enough to protect the product and keep it clean.
3. Provide a space on the package for the price of the item.
4. Hold the product in such a way that the price can be easily stamped.¹⁰

As far as the self-service grocery retailer is concerned, the product must do two things: (1) move from his store at a profit and (2) maintain maximum turnover. Before he will consider giving the product space on his shelves, the package must:

1. Stack easily into an attractive display without support.
2. Not allow odors to escape.
3. Keep the product clean and sanitary.
4. Resist the wear and tear of self-service.
5. Discourage pilferage.

⁹"Product Packaging for Self-Service," a manual published by ARMI, p. 3.

¹⁰Ibid., p. 5.

6. Conserve space.
7. Adequately contain the item and be designed for the shape and size of the product.¹¹

For the individual who ultimately purchases the item, or the final consumer, the package must:

1. Keep the goods clean and sanitary.
2. Show the product clearly.
3. Open and close with little effort if it is to be reused.
4. Tell the essential facts about the product and illustrate its use.
5. Be designed to fit the peculiar shape of many houseware items.

A list of additional desired characteristics of a package would include:

1. Maximum visibility.
2. Use of multi-color printing whenever feasible.
3. A quality which is commensurate with the quality of the product.
4. Devices to tell the product's sales story.
5. Taking advantage of corrugated liner for display pieces.
6. A design facilitating selecting and reshipping a whole or a portion of the contents.
7. Ease in opening the shipping containers.
8. Inclusion of all pertinent information about the product.¹²

In summary of this section on packaging, it can be said that the package is as important as the product itself in determining sales, since non-foods, especially housewares, are bought largely on impulse. Lawrence Gralla says that because these sales are made on impulse rather than any

¹¹Ibid., p. 4.

¹²Levis, op. cit., pp. 79, 80.

executive's opinion of the product, the package becomes more important than the product in the long-range picture.¹³

Pricing Considerations

Lack of supervision over pricing may cost a supermarket a great deal of money. If its items are over-priced, it may lose sales because the customer will not buy. If a rack jobber is used, the supervision is usually in his hands. When the retailer buys direct, he must see that his prices are competitive.

Each individual non-foods product should be price-marked. Customers are curious about an item's price, and an unpriced article will not sell. Furthermore, unpriced merchandise creates confusion and delay at the checkouts, while the customer's confidence in store integrity and honesty decreases proportionately.

Pricing should be done in the jobber's warehouse or, if a jobber is not used, in the store's backroom. In a study by the Caron Company, a rack jobber, it was found that a price which was the total, tax included, sold twice as much merchandise as a double price that separated the tax from the cost of the merchandise. The company also found

¹³Lawrence Gralla, "Do's and Don'ts for Supermarket Boxes," American Boxmaker, (September, 1954), p. 11.

"two-for-~~\$~~__" prices to be very effective.¹⁴

The writer submitted to two rack jobbers the question, "Is there any limit on how high-priced an article can be and still sell in supermarkets?" One rack jobber of health and beauty needs said that the optimum price for a single product is around forty-nine cents, and it is highly desirable for all items to be priced at one dollar or less. A second rack jobber, who stocked toys and housewares, said that 75 per cent of his merchandise sold for prices of less than \$1.00, 23 per cent for \$1.01 to \$2.00, and only 2 per cent for over \$2.00.

In a poll among housewares manufacturers selling 738 items through supermarkets, it was discovered that 691 of these products sold for less than one dollar and only 8 retailed above two dollars.¹⁵

In an attempt to determine the frequency of price changes in rack jobbing, all the interviewed rack jobbers were asked whether markdowns ever occurred. Ten of the twelve jobbers said markdowns were used. Two said they never marked down merchandise. Many of the jobbers who used

¹⁴Jules Abramson, "Make More Money in Health and Beauty Aids," Progressive Grocer, (February, 1954), p. 48.

¹⁵James K. Blake, "Do's and Don'ts for Packages That Sell," Dun's Review and Modern Industry, (October, 1953), p. 58.

markdowns said they did so very infrequently.

Eleven rack jobbers used markups; one did not. Of the eleven rack jobbers who used either markdowns or markups, seven said markups were most common, two thought markdowns were used most, while two saw no difference in frequency of use.

Manufacturers most commonly initiated the price changes for these eleven jobbers. When a price change was decided upon, the rack jobber's personnel was used two to one over store personnel in correcting the price of the article on display within the store. Sometimes the price was changed in the store by the service man, while more frequently it was replaced by properly priced merchandise and taken back to the jobber's warehouse for re-pricing.

The rack jobber set the price of his goods in eight establishments interviewed; the manufacturer most commonly set the prices for three jobbers; and for one merchandiser the store most commonly set the retail values. As for the manual marking of the price on the product, the rack jobber's personnel performed this function in eleven of twelve cases. Store personnel did the pricing for the one dissenting jobber.

Eight rack jobbers thought the retailers know the wholesale prices of the goods, i.e., the prices which the rack jobber pays for the goods. One jobber said he felt that the retailers have a better concept of this information than

he! A single jobber believed his larger accounts know his prices but the small customers do not have this knowledge. Three interviewees felt that their retailers do not know the cost prices of the merchandise. Another rack jobber stated, "The stores may know the prices I pay for the goods, but they don't know how much rakedown I get in the form of promotional allowances from the manufacturers."

Fair Trade often enters into a rack jobber's scheme of pricing, and the great majority of jobbers are in favor of Fair Trade. They argue that price cuts would not increase their sales much. They support this by saying the average shopper is not influenced appreciably by a few pennies off, and hence on drugs the average customer does not know a bargain when he sees one.

Secondly, the rack jobber argues that the supermarket operator would be less inclined to handle non-foods if the margin on these items dipped as low as the dry grocery margin of 15 per cent of sales.¹⁶

Display Techniques

There are various ways to display non-foods in supermarkets. For instance, a typical housewares display might

¹⁶Robert W. Mueller, "Health and Beauty Aids Sales and Merchandising Through Rack Jobbers" (New York: Merchandising Executives Club, August 10, 1955), pp. 7, 8. (Mimeographed.)

be placed on an island gondola, regular grocery shelving, or on a wire rack supplied by the rack jobber.¹⁷

A large Eastern rack jobber ran a series of studies in several of his stores to determine the number of drug items different sized supermarkets should stock. The findings indicated that "super markets should handle a minimum of 250 items and superettes from 200 to 250 items."¹⁸

The same rack jobber suggested that in determining the optimum size drug department there are several factors to consider, such as distance of supermarket from drug stores. However, he added that the minimum amount of floor space which should be given to drugs is eight linear feet for superettes doing five thousand dollars a week sales volume. A supermarket doing ten thousand dollars weekly volume should give drugs at least twelve feet. This rack jobber gives a simple formula for displaying drugs--"for every \$1,000 in weekly volume, devote $1\frac{1}{2}$ linear feet of floor space to your drug department."¹⁹

Standard Merchandise Company of California has used two devices for attaining top housewares sales from its racks. First, it uses the idea of related displays wherever

¹⁷Gralla, op. cit., p. 10.

¹⁸Abramson, op. cit., p. 46.

¹⁹Ibid.

possible, i.e., coffee pots displayed with coffee. Secondly, it has seasonally promoted its products in the heavy traffic areas, i.e., during the summer displaying glass tumblers with beverages.

The results have been encouraging with a twenty-four foot gondola doing \$3,900 monthly in sales, a twenty-two foot gondola doing \$4,600, a thirty-seven foot rack doing \$5,700, and a sixteen foot display selling \$2,500 worth of merchandise in a single month.²⁰

Meijers Super Markets, Grand Rapids, Michigan, found a very effective gimmick which increased its non-food sales 300 per cent. The strategy of the Meijer's Company was simply to intermingle high profit non-foods with high-traffic grocery staples. Hence, in one of the stores the customer would have to walk past a beautiful housewares rack to pick up the family's bread and bakery needs. This chain also found related displays highly beneficial in attaining increased sales, so a customer who buys baby foods also is "exposed" to such baby needs as diapers, bottles, and baby lotions.²¹

²⁰"How Can Housewares Best Be Served?," Super Market Merchandising, (April, 1952), pp. 95, 96.

²¹"Meijers Non-Food Sales Jump 300%," Super Market Merchandising, (March, 1956), pp. 53, 54.

According to 70 per cent of the rack jobbers, the best location for a health and beauty aids rack has been near the end of the shopping tour and directly exposed to shoppers as they approach the checkouts.²²

Another source has determined the best location as the gondola end and part of the side of the gondola nearest the checkouts.²³

All of the interviewed rack jobbers supplied their grocery stores with special display fixtures. Only one jobber decided where these displays would be placed within the stores. In four replies the stores made the decisions on display locations. Six jobbers said that this was a joint decision between themselves and the stores, and one said it was decided by the grocery chains' headquarters.

None of the jobbers whom the writer personally contacted decided the location of the regular non-foods departments. This was a joint decision, according to five replies. The remaining seven jobbers said the departmental location was the problem of the store manager or his chain's headquarters.

Eleven jobbers said it was their prerogative to pick the particular merchandise placed on the store shelves. One

²²Mueller, op. cit., p. 5.

²³Abramson, op. cit., p. 45.

jobber decided this question in cooperation with the store management. Ten jobbers decided what location a product should command on the racks, while two jobbers said their customers made this decision. This is evidence that the average rack jobber has a good deal of freedom in choosing the products to be displayed and the spots this merchandise is to occupy on the non-food racks.

The importance of a non-foods display parallels the importance of proper packaging. Impulse buying is here, and the shopping list is on the way out. Effective point-of-sale displays can convince the customer to purchase an item that he may never have thought of when he entered the store.²⁴

Housewares...take some displaying if they are to catch the impulse buyer. In most cases they haven't the advantage of a brand name. So the racks must be set up for eye appeal. The items must be packaged right, and priced right. Often it takes some point-of-sale display to put them over. To train the routine sales clerk to do this is a tedious job.²⁵

ARMI has been foremost in pointing up the need for increased point-of-sale material for non-foods manufacturers who expect to sell in supermarkets. ARMI says that, next to proper packaging, point-of-sale material is the most impor-

²⁴"Non-Food Volume Through Point-of-Sale Display," an ARMI booklet, p. 1.

²⁵"New Breed of Wholesaler," Business Week, (January 23, 1954), pp. 42, 44.

tant merchandising consideration.²⁶

A list of the various types of point-of-sale displays would include:

1. Dump bins, permanent (wire, metal, or wood) and temporary (corrugated materials), tables, barrels, etc.
2. Shopping carts.
3. Specialty floor stands, permanent and temporary.
4. Shelf merchandisers, wire baskets, hooks, or extenders.
5. Hang-up racks.
6. Shipping cartons.
7. Signs, various colors, sizes, and shapes, both lighted and non-lighted.
8. Related item displays, egg trays, butter dishes, etc.
9. Mass displays, metal pitchers or waste baskets.²⁷

The objectives of point-of-sale displays are:

1. To bring products "out" so customers will see and/or feel them.
2. To attract immediate attention by color, copy, and lighting.
3. To demonstrate what the product does.
4. To stimulate an impulse to buy.
5. To have some human interest value.
6. To fit into the supermarket environment.
7. To plainly show the price of the product.²⁸

The merchandise selected for displays in one-half of the cases was featuring special packs; 35 per cent featured seasonal items; 8 per cent featured related items with no

²⁶"ARMI Distributors Point Up Need for Increased POS; Call It Second Only to Good Packaging," ARMI News, IV, No. 3 (March, 1956), p. 4.

²⁷"Non-Food Volume Through Point-of-Sale Display," op. cit., pp. 2, 13.

²⁸ARMI News, loc. cit.

price reduction; and 7 per cent was featuring regular stock. Better than 50 per cent of all drug rack jobbers built one or more special displays per store per week, according to Progressive Grocer.²⁹

Displays should be allowed to stand for two weeks. The most preferred types of displays in descending order of preference are: manufacturer's dump bins, end gondolas, shopping carts, and shelf extenders. According to the rack jobbers who were interviewed by Progressive Grocer, about one-half of the operators believed special displays increased sales by 50 per cent over shelf sales; one-third thought sales increased from 50 per cent to 100 per cent; and 17 per cent maintained displays would at least double sales.³⁰

²⁹Mueller, loc. cit.

³⁰Ibid., pp. 6, 7.

CHAPTER VI

REQUIREMENTS FOR ENTRY AND SUCCESS

There is a conspicuous lack of secondary data on what is required for successful entry and success as a rack jobber. Therefore, much of the information in the present chapter was compiled from the twelve personal interviews which the writer had with rack jobbers in the Lansing and Detroit, Michigan and Columbus, Ohio areas. The reader should realize that even though these twelve jobbers attempted to give their true viewpoints on the various questions asked, their viewpoints are not necessarily representative of all rack jobbers. They are only indicative of what several rack jobbers believe to be true, and little statistical significance regarding the whole population should be attached or assumed.

Experience Required

For successful entry a basic knowledge of this business is required. This can be obtained only after a minimum of five years experience as a salesman, supervisor, delivery man, or warehouseman.

One tobacco rack jobber expressed a warning to those seeking to enter the rack jobbing business. He advised,

This business is highly competitive. We get a very small markup, which ranges from 2 per cent to 5 per cent. My overall margin is 1/2 of 1 per cent. Now you can see

why volume is the mother of this business.

As far as salesmen and warehousemen are concerned, they need no experience to get into this business. One rack jobber said, "I like to hire men with no experience because then I can teach them the correct way of doing things."

Choosing a Location

The principal factor in choosing a site to hang out one's shingle as a rack jobber is determining which location is "favorable to rack selling." This means that there should be enough nearby supermarkets seeking rack jobbing services for the new rack jobber to obtain a profitable volume of business from these stores. If a favorable sales volume is to be attained, these stores must not only be present within the area, but they also must be willing to turn their non-foods over to this rack jobber. One rack jobber, with a salesforce of four men servicing 340 grocery stores, gave his breakeven volume as two hundred thousand dollars annual sales. In other words, for this jobber a site must be able to return at least two hundred thousand dollars annually in sales volume.

Apparently distance from sources of supply has little or no effect upon location selectivity.

Personal Contacts

A rack jobber must have some sort of contact with his suppliers. This contact usually takes the form of the manu-

facturers' salesmen personally calling upon the rack jobber. Some rack jobbers have definite times, designated as "buying hours," at which they agree to see their suppliers' representatives.

Other personal contacts which are considered requisite to success are those with the retailers. For a single-unit independent store the owner or manager is the individual contacted in establishing a jobbing arrangement between the jobber and the store. In the larger chains the rack merchandiser frequently talks with one of the chain executives, such as president, merchandising vice-president, buyer, etc.

A non-foods buyer of one of the Detroit supermarket chains listened to a drug rack jobber explain the savings, increased profits, and other advantages which the jobber claimed he could give this buyer. The rack jobber had even gone to the trouble of showing objectively the estimated expenses and revenues which could be expected if the chain were to buy from the jobber. He compared these figures with the chain's finances under its existing methods of procurement. After the rack jobber had obviously convinced the buyer that his chain would be much better off letting the rack jobbing company supply his stores, the non-foods buyer said, "If I let you fellows take over in our stores, I'll be out of a job; I'll have nothing to buy!" The rack jobber

still is trying to find a way to beat this buyer's argument!

Several rack jobbers found their memberships in one of the trade associations to be favorable contacts. The benefits accruing from such associations have been previously discussed.

Several rack jobbers said that they place great value on the contacts made at the national display conventions. In March, 1956 many housewares manufacturers and rack jobbers met in New York to allow the jobbers to see the various lines of products and place orders for the merchandise.

One rack jobber said that any contacts which he can establish are to his advantage. He stated that a rack jobber will assist himself and his company if he tries to be the "friendly, coffee-drinking, back-slapping" type of individual.

Sources of Supply

The principal sources of supply for rack jobbers are the manufacturers of the goods purchased by the rack jobbers. All but one of the rack jobbers interviewed purchased 100 per cent from manufacturers. The one exception made only about 1 per cent of all purchases from a source other than manufacturers, this source being another type of wholesaler. When this jobber purchased from a wholesaler, his action was usually necessitated by an unanticipated shortage of supply.

Equipment Necessary

The equipment required by a rack jobber will depend a great deal upon his size of operations. Some may use electric lift-trucks in their warehouse operations, while others use manual dollies or none at all. Some lease fleets of trucks, while others buy them outright. One Detroit rack jobber who recently moved into a new building was having an IBM installation made in his offices. When the installation is completed, account data, i.e., invoices, debits, credits, etc. will be routed through IBM. The savings in office labor alone is expected to cover the cost of the IBM equipment in a short period of time. Another rack jobber is now using an IBM installation with rewarding success.

Rack jobbers must have warehouses for storage, breaking cases, shipping, pricing, etc. The amount of space in the warehouses may differ considerably. From the six rack jobbers questioned on this point the answers ranged from 3,000 to 120,000 square feet of space. The mean size was 33,000 square feet.

A list of other equipment used by rack jobbers might include:

1. Merchandising stands and racks.
2. Manual, gravity, or electric conveyors.
3. Loading skids.
4. Warehouse shelving.
5. Boxing, taping, and miscellaneous warehouse equipment.

6. Office equipment, desks, computers, adding machines, telephones, etc.

The writer talked with a rack jobber's salesman who said his most important piece of equipment is his "feather-duster!"

Personnel Requirements

The help required for success in the rack jobbing trade may be broken down into five categories: (1) supervisory, (2) office, (3) sales, (4) warehouse, and (5) maintenance. Supervision is needed over all the other four categories. In many instances a single person may perform several jobs. For example, a warehouseman may do some of the maintenance work. The rack jobber with the largest drug operations in Michigan divided his warehouse help into five different divisions when filling orders. The groupings were as follows: (1) pickers (merchandise selectors), (2) checkers, (3) packers, (4) tapers, and (5) addressers. One man from each of these groupings was used on each order-filling line. Four lines ran simultaneously with a continuously operating electric conveyor carrying merchandise for each line.

In an attempt to determine the desirable qualities for rack jobbers' salesmen, the following question was submitted to about five rack jobbers: "What special requirements must your sales personnel possess?" A list of the

replies received includes:

1. "A good knowledge of the merchandise they are selling."
2. "Sales training."
3. "The welfare of their accounts in mind at all times."
4. "Ability to win the confidence of their accounts."
5. "Ability to write orders and give service."
6. "A little bit of promotion, which means two-thirds motion!"
7. "Ability to sell themselves, then the products."
8. "Training and experience in health and beauty aids."
9. "A special sense to know what to do next in the stores."
10. "Salesmen must like the business and have good understanding of human nature."
11. "Salesmen must give fair treatment and be honest with the store managers to protect our reputation."
12. "Common sense, displaying knowledge, and courtesy and service to the customers."
13. "Don't be late; don't drink; and don't lie."

Advertising

The majority of the advertising, especially in the drug field, has already been done by the manufacturer before the product reaches the rack jobber. The rack jobber is noted for handling nationally advertised brands. Some rack jobbers personally place advertisements which are financed either by the manufacturer through an advertising allowance or by the jobbers themselves. In other cases the stores advertise non-food products along with their food items, either with or without advertising agreements with their rack distributors.

The advertising medium most popular with rack jobbers

is the newspaper. Magazines, radio, television, and hand-bills are also thought to be effective. Several jobbers brought up the fact that their products "live" on advertising. They must be pre-sold because personal selling in supermarkets is at a minimum.

Importance of the Entrepreneurial Function

How does the rack jobber combine all of these requirements of success into a going enterprise? ARMI says the average rack jobber has a warehouse equipped for storing and shipping as many as five thousand different items. These products are not delivered to the retailers in case lots. Cases are divided at the rack jobber's warehouse, and deliveries are made in amounts specifically required by a particular store.

The jobbing entrepreneur keeps a complete set of records on the movement of all the items he inventories. He may coordinate the activities of as many as one hundred salesmen, drivers, and service men, in addition to a supervisor and a buyer. He may use a fleet of fifteen trucks to service three hundred stores on an average of three times a week.¹

¹Nathan Kelne, "Rack Jobbers Prove Out As Merchandisers...But Now They Want Bigger Discounts!," Printers' Ink, (August 13, 1954), p. 23.

Essentials for Attaining Success in Rack Jobbing

One of the thoughts that supermarket operators have always born in mind is their desire to maintain strong control over every one of their departments. This has been particularly true of the big chain organizations. If a rack jobber is to remain in business, it is necessary for him to make his services so valuable to the stores that the store operators can have no doubt as to the rack jobber's usefulness. Zimmerman, in a recent speech at the ARMI's Fifth Annual Convention, gave several ways in which a rack jobber should strive to strengthen his position:

1. The rack jobber must seek and find the new items of a fast-selling, high-turnover quality. The non-foods department should never become simply an "order-taking" department. In housewares the rack jobber must seek to glamorize the merchandise through display ideas, store demonstration, special advertising appeals, or any other sales gimmicks. The growth in sale of these items should be never ceasing.

2. The rack jobber must obtain greater efficiency in his warehousing and distribution services. As many jobbers have expanded their operations so rapidly, they have out-grown their warehouse facilities, causing them to be inefficient. This condition should be alleviated before the rack jobber can prove to the store managers that his is a low cost operation that cannot be duplicated.

3. The rack jobber and the store managers should plan fixture and rack layouts together. The rack merchandiser should try to educate store personnel in proper maintenance of the non-foods racks. Neat appearing racks are a responsibility of store help as well as the rack jobbing service man.

4. The jobbers should offer suggestions to their supermarket operators on premium promotions and special deals.

5. In many instances the rack jobber would profit by providing more frequent deliveries and closer supervision in maintaining fully-stocked shelves.

6. Rack jobbers must continue to educate the manufacturers in the packaging and promotional requirements of supermarkets. Ease of display and provision for impulse buying are of prime importance in supermarket selling.

7. Rack jobbers should make every effort to get the consumer to associate the manufacturer's name with each product. If a consumer can recognize the brand name as that of a particular manufacturer, he senses a certain amount of security in making the purchase. Likewise, if an immediate relationship is drawn between the product and the manufacturer, the manufacturer's advertising has an increased effectiveness.²

²M. M. Zimmerman, "The Rack Merchandiser's Future in the Super Market," Super Market Merchandising, (January 17, 1956), pp. 4-6, an address.

CHAPTER VII

PROBLEMS INVOLVED

The business life of a rack jobber is not as smooth-operating and worry-free as many individuals, especially the suppliers, like to believe. Even when looking through one's "rosiest colored glasses," one finds the rack jobber bombarded with many complex problems which not only cause the jobber a great deal of trouble, but ultimately drive the marginal operator out of business. Probably the first person to admit this truism would be the rack jobber himself.

In this chapter the problems confronting rack jobbers have been grouped into three broad categories: (1) selling, (2) purchasing, and (3) threat of competition.

Selling Problems

During the course of a conversation with a particular rack merchandiser, a telephone call was received by the jobber. On the other end of the line was an irate supermarket manager who had not received a delivery of non-foods on the previous day. Knowing that the preceding day was the delivery day for that store, the jobber proceeded to apologize for the failure of his firm and said he would take the necessary action to assure the manager that the error would not be repeated in the future. From the rest of the phone

conversation the writer gathered that apologies mean very little in the supermarket industry!

After the jobber had finished talking with the store manager, he called the service man into his office. The service man explained why the delivery was not made, the reason being that his truck would not hold anymore merchandise for the day's delivery. The rack jobber answered his service man by saying, "Rent a larger truck; make two trips; or do anything; but don't skip a delivery and lose our customers!"¹

Another rack jobber reported a different type of problem with his customers. This was a credit problem, wherein the stores refused to pay promptly. If the store operator could extend the time of payment, it would permit him to have less money "tied-up" in non-foods inventory, freeing this capital for other uses. This rack jobber also had trouble with the retailers when they repeatedly insisted upon taking away space originally allotted to the non-foods rack before the merchandise had ample time to sell.

Other selling problems experienced by those rack jobbers who were interviewed have been listed below:

1. They (the store operators) want us to handle complete lines and not just the fast-moving merchandise.

¹Statement by an anonymous rack jobber, personal interview.

2. The store managers want us to stock items which we have discontinued and items we believe will not sell. (This is a popular criticism among rack jobbers, with more than half of all jobbers giving this as a selling problem.)

3. They frequently try to get us to lower our prices to "meet" competition, and still they want their same discounts.

4. We just get a rack in a store, and before the merchandise has had a chance to prove itself, they want us to take it out.

5. Many of our smaller customers try to get extended credit.

6. They lack knowledge of the merchandise. They want us to lower our prices so we can sell more, but they don't realize that a lower price will not necessarily mean more net profits.

7. They expect us to deliver at irregular times.

8. When their business drops, they automatically point a finger at us.

9. The average grocery store manager holds something against us; he simply doesn't like non-foods in his store, regardless of the yield.

10. Some want to limit our space, but they still want complete displays. These are two conflicting desires impossible to satisfy.

11. Several store managers have tried to take store space away from us without giving our merchandise a chance to prove itself.

12. Here's the key to your thesis; the supermarket managers are more interested in profit percentage than they are in dollar profits. This is the rack jobber's bible; forget percentages and look at dollars.

The reader should be reminded that these are some opinions expressed by several rack jobbers. Therefore, it would be incorrect to say that the selling problems experi-

enced by only a small minority of the total rack jobbing population are prevalent wherever rack merchandising exists.

Pilferage is a problem for many supermarkets. Of course if the store purchases goods when they are brought into the store, the store loses directly when the goods are stolen. Nevertheless, the rack jobbers cannot allow pilferage to be very high on the goods they stock or they soon find supermarket operators refusing to handle these non-foods.

Pilferage should not be taken lightly in any part of the supermarket, according to Supermarket News. Glen W. Horsley, non-foods buyer for Lucky Stores, Inc. of San Leandro, California says that a good supermarket display is "one that customers can easily see, feel, and steal."² Harry Loessberg, Standard-Humpty-Dumpty Super Markets, Oklahoma City, said that some anti-pilferage devices were actually hindering the operator more than they helped him. He cited the big bubble lipstick packages as an example and said that the extra amount of space taken by the new package was not warranted by the money saved through reduced pilferage.³

²"Role of Non-Foods in Supers Growing," Supermarket News, (September 19, 1955), p. 30.

³Ibid., p. 31.

Due to the high rate of theft at least four New York supermarket chains are putting their health and beauty aids behind service counters in their newly-built stores. The loss in sales has ranged from "negligible" to 50 per cent of the volume done by a similar control group of stores. The management of these chains believed the reduction in pilferage and the closer control possible under a service arrangement would compensate for any loss in sales volume. If the volume done by health and beauty aids does not pay for the service department, other products, such as cigarettes and coffee, and such services as bottle returns might be added to cover the cost of this department.⁴

Robert W. Mueller, Editor of Progressive Grocer, refers to pilferage as an incidental problem. Mueller says,

The old pilferage bugaboo that made many dealers hesitate to install drug departments a few years ago, has all but disappeared today. It is unlikely that theft exceeds 2% of sales--negligible in view of the 25% to 30% margin on sales.⁵

Another problem which puzzles many rack jobbers is one of space allotment per item, or the number of facings a particular product should receive. Horsley believes the

⁴"Health Aids Go Service to Foil Pilferage in N. Y.," Supermarket News, (July 18, 1955), p.25.

⁵Robert W. Mueller, "Health and Beauty Aids Sales and Merchandising Through Rack Jobbers" New York: Merchandising Executives Club, August 10, 1955, p. 5. (Mimeographed).

solution here is simple. He says that the products will find their own level in the amount of space they deserve with the better sellers getting most space.⁶

Mr. Pezrow, a New York broker, says that the factor which is causing the non-foods people the most trouble is the misinformation which is being given out by the non-foods salesmen. In commenting on this problem, Pezrow noted that one or two unscrupulous deals is all it takes to sour the supermarkets on non-foods promotions.⁷

In merchandising various types of non-foods products each product may have selling peculiarities which do not apply to any other types of non-foods items. For instance, when selling phonograph records in supermarkets, one rack jobber was confronted with the problem of some classical records selling "like hot-cakes" while others collected dust. In the final analysis the company determined that customers buy only the records to which they have been exposed.⁸

Likewise, in the sale of soft goods J. Weingarten, Inc. of Houston, Texas found it necessary to introduce some of the services available in department stores in order to

⁶"Role of Non-Foods in Supers Growing," loc. cit.

⁷Ibid.

⁸"Supermarket Trade Takes on Records," Business Week, (May 8, 1954), pp. 46, 47.

raise volume to expectations. As a result, the company has now offered its customers a 30-day layaway plan.⁹

Purchasing Problems

One of the "sore-spots" with rack jobbers who were interviewed was the question of whether or not they were receiving fair or just compensation for their services. The majority of these rack jobbers seemed to think that they were not being adequately paid. The typical responses were, "Compare our industry with any other and you'll see our margin is small!," or "The percentage given to the stores is too high compared with what we get!" One toys rack jobber said his damaged or otherwise unsaleable goods run as high as 5 per cent of his sales. Another jobber said he was not being given just compensation for all the services he renders, the high inventories he must carry, and all the capital he has tied-up in his business.

A single rack merchandiser, who disagreed with the others regarding the compensation problem, made the observation that profits must go along with the times. He said, "Now that we can gain high turnover and volume on our goods, we can't expect our gross margin per item to be high." Commenting further, he stated, "A good conscientious rack jobber

⁹Irving Freeman, "Soft Goods Lines for the Super Market," Super Market Merchandising, (September, 1952), p. 152.

is always appreciated; any rack jobber who is not appreciated is not conscientious."¹⁰

Some of the difficulties which these twelve rack jobbers experienced in dealings with their suppliers have been listed below:

1. Some of my suppliers want distribution on several of their products before these items warrant the space.
2. Certain large health and beauty aids manufacturers want us to handle their complete lines even though several items within each line may have very slow turnover. In a sense, they say, "either you carry all or none of our products."
3. We can't depend on their shipping schedules. I may order a shipment of Easter bunnies to be shipped on March 1st., and I may receive them for distribution by Mother's Day!
4. Some manufacturers complain about our firm not giving their products enough promotion.
5. They are constantly hounding me to get my bills paid. How can I pay them promptly if the stores pay me 20 to 30 days late?
6. We must sell so much or they'll take away our franchise.
7. Each manufacturer wants his merchandise given the best location.
8. They don't understand supermarket selling. The manufacturer's constant threat is, "we'll go direct."
9. Manufacturers do not quote us prices which are as low as those which they quote the drug wholesalers.

¹⁰Statement by an anonymous rack jobber, personal interview.

Allen Levis, ARMI's first president, says the rack jobber has the problem of educating manufacturers in the proper packaging of his products. The rack jobber must pass on information so that manufacturers will know how to package their products in such a way that they will stack easily and make striking displays.¹¹

Another problem, says Levis, has been to raise the status of the rack jobber out of the peddler class. Still another problem has been that of obtaining enough finances to carry proper inventories and to operate efficiently.¹²

Other sources say that one of the thorniest manufacturer-jobber problems is the matter of compensation. Considering many merchandising activities which the rack jobber performs for the manufacturer, the rack jobber feels that he should receive more compensation. Large manufacturers doing 40 per cent of their business in toiletry goods are giving discounts to rack jobbers which are identical to those given wholesalers, food brokers, and large chains which buy direct.

These manufacturers say that they are merely trying to treat all distributors and customers fairly. They do not want to favor any single buyer. In addition, they ask themselves, what are the rack jobbers complaining about? They

¹¹"New Breed of Wholesaler," Business Week, (January 23, 1954), p. 44.

¹²Ibid.

are doing fine.

The sales manager of one West Coast manufacturer has this to say about the compensation problem: "The rack jobber's life will be a short one if he continues with his policies of trying to get extra inside discounts from manufacturers...."¹³

Music Merchants, Inc. of Philadelphia, a rack jobber, reports that two manufacturers refused to do business. These manufacturers claimed that to do so would hurt their "normal" outlets. Music Merchants had proof to the contrary.

This rack jobber also reiterated on the problem of his firm's inability to obtain distributor discounts of from 50 to 55 per cent. The manufacturers who refused this firm actual wholesale prices charged the jobber at retail or about 38 per cent off list price. When the jobber must give the retailer 25 to 28 per cent, the "shoe begins to pinch."¹⁴

Manufacturers have their share of problems growing out of supermarkets' sale of non-foods. Should their present sales staff sell to the supermarkets? Should they use food brokers, sales agents, their regular jobbers, or grocery jobbers? Should they hire an expert to sell direct to the

¹³Nathan Kelne, "Rack Jobbers Prove Out As Merchandisers...But Now They Want Bigger Discounts!," Printers' Ink, (August 13, 1954), p. 24.

¹⁴"Supermarket Trade Takes on Records," op. cit., p. 50.

stores? These questions are facing many manufacturers today.

There is no one answer to the problem. Conditions may vary among products as well as among various sections of the country. One thing is certain; selling to supermarkets is not something that can be done in a sales manager's spare time.

A survey of the way supermarkets purchase their non-foods might prove worthwhile. An attempt should be made to make one's selling policies coincide with the markets' buying policies. A manufacturer's selling policies must be flexible enough to adapt readily to the needs of the supermarkets.

Much of the success achieved in selling to supermarkets depends upon the type of distribution a manufacturer adopts. If a seller is considering using his own selling force for selling to supermarkets, he must first determine whether his salesmen have the ability and skill to service these outlets. A wholesaler or rack jobber may be the wisest choice, regardless of the seller's previous means of distribution.¹⁵

Threat of Competition

The rack jobber has found competition quite strong

¹⁵Joseph Lorin, "What Is Happening to Non-Food Lines in Super Markets?," Printers' Ink, (July 4, 1952), p. 21.

recently due to manufacturers' doing their own direct selling to supermarkets. There has been an increased amount of competition from other operators, and new jobbers entering the field are offering excessive discounts to attract more business. A few fringe operators are making things difficult for the more legitimate merchandisers.¹⁶

"The main problem in our industry is the every-day food peddler who goes into the chains trying to sell non-foods," stated one rack jobber in an interview. Commenting further he said,

They ruin my business. These food peddlers do not try to maintain decent non-foods racks; therefore, they naturally can undersell us on some items--but what a terrible reputation they're establishing for non-foods!

According to Super Market Merchandising, the rack jobber is receiving competition from three main sources: (1) voluntary co-ops, (2) food chain buyers, and (3) food wholesalers.¹⁷

The sales manager of one company says that the amount of competition which the rack merchandiser will receive depends entirely upon the rack jobber himself. "His method of operation will be the deciding factor. A good portion of them have to mature. They must realize their own responsi-

¹⁶Nathan Kelne, loc. cit.

¹⁷"Contribution of the Rack Merchandiser," Super Market Merchandising, (August, 1955), p. 3.

bilities to their sources."¹⁸

He continues,

For instance, some run a promotion on an item, and when this promotion is concluded they want to return goods in exchange for other products or for credit. This encourages some manufacturers to think about selling direct to stores, because the stores never make such requests. Another thing: The super markets pay within 10 days and most rack jobbers want 2% end-of-month terms.¹⁹

Sigler says that the competition which the health and beauty aids or soft goods rack jobbers experience may come from several sources. He states that any one of the following types of distributors may sell drugs or housewares or both:

1. Rack
 - a. health and beauty aids
 - b. soft goods
2. Drug
3. Grocery
 - a. service
 - b. voluntary
 - c. cooperative
4. Miscellaneous
 - a. wagon
 - b. tobacco
 - c. all others²⁰

The drug wholesaler operates on a margin of 15 per cent to 17 per cent. The grocery distributors stay in

¹⁸Nathan Kelne, loc. cit.

¹⁹Ibid.

²⁰Carl Sigler, "What's Ahead in Sales of Toiletries and Soft Goods in the Grocery Field," Printers' Ink, (October 23, 1953), pp. 40, 41.

business with such margins as: (1) cooperative, 4 per cent, (2) voluntary, 4 1/2 per cent to 7 per cent, depending on services rendered, and (3) service, 7 per cent to 10 per cent, according to service charges.²¹

Possibly the rack jobber can cope with the serious problem of competing with these wholesalers by eliminating some of the services he offers the retailer. Some rack distributors are doing this and, hence, are able to offer the retailer larger discounts.²²

This chapter has no more than sketched some of the problems which the writer believes to be of major importance as far as the rack jobber is concerned. Other problems relevant to advertising arrangements, pricing considerations, special promotions, exclusive franchises, department and merchandise location, types and number of items to handle, hiring and training employees, etc. will be only mentioned here. They have received more adequate treatment at other points in this presentation.

²¹Ibid.

²²Ibid.

CHAPTER VIII

RELATIONSHIPS WITH RETAILERS AND MANUFACTURERS

The Supermarket's Potential

The growth of non-foods in supermarkets presently has reached phenomenal proportions. In 1955 \$39.4 billion annual sales volume was done in food stores.¹ To obtain a better concept of the type of retail organizations handling non-foods, Super Market Merchandising conducted a survey among 613 of the 1,713 new supermarkets opened for business in 1955.

The following facts are indicative of the performance of the average 1955 supermarket:

1. The parking lot averages 2.43 times store size.
2. The average 1955 Super Market turned in weekly sales of \$24,300 or \$1,263,600 a year.
3. Sales per square foot amounted to \$2.67 per week.
4. The 1955 Super Market required an average of 27.3 employees.
5. The average number of checkouts in operation was 5.3 for the same typical unit.
6. Customer transactions averaged 6,500 per week.
7. Average sale per customer was \$3.74.
8. The average checkstand rings up \$4,585 in sales per week.
9. The average store employee accounts for \$46,280 in sales per year.²

¹Robert W. Mueller, "Food Store Sales Up 6.9% in Year Marked by Sharp Competition, Mergers, Stamp Plans," Progressive Grocer, (March, 1956), p. 46.

²M. M. Zimmerman, "The Rack Merchandiser's Future in the Supermarket," Super Market Merchandising, (January 17,

Few people doubt that the supermarket industry is big business, considering the fact that in 1953 there were some 22,000 super markets and 360,000 independents for a total of 382,000 stores in the grocery field.³

Why Supermarkets Carry Non-Foods

Before suggesting a reason why supermarkets stock non-foods, a glance might be cast at why consumers buy non-foods at grocery stores. In a consumer opinion poll the following answers were obtained from supermarket shoppers:

1. "I can get these necessary items with my weekly grocery order."
2. "It's easy for me to remember to buy."
3. "There is less shopping necessary. It gives me more free time."
4. "It is more convenient to get them at the grocery store."
5. "I buy facial tissues wherever I happen to see them."
6. "I think grocery stores handling these items (household and garden supplies) have a larger variety and the latest."
7. "It is easier to buy. I have no transportation to travel all over town."⁴

Obviously food retailers carry non-foods because of the two billion dollar market which has been available in the sale of this merchandise. More specifically, John Horn

1956), p. 3, an address.

³Carl Sigler, "What's Ahead in Sales of Toiletries and Soft Goods in the Grocery Field," Printers' Ink, (October 23, 1953), p. 40.

⁴"A Study of Non-Food Items in Grocery Outlets," BBDO Presentation, No. 15, pp. 9-29.

stated that rising overhead costs have induced grocery store managers to stock non-food items from which they can realize a gross profit of from 25 to 40 per cent. A rather sharp contrast can be drawn between this gross profit and a profit ranging from 17 per cent to as low as 6 per cent on food items. Furthermore, the turnover on non-foods is up because customers welcome the opportunity to purchase such items as housewares, health and beauty aids, pet supplies, and soft goods in their favorite supermarkets.⁵

ARMI News reports a Massachusetts supermarket was selling "15 to 20 per cent of total volume" in non-foods. The store owner, Nat Kornblatt, said that the success of the non-foods department was due to the fact that "no matter what the customers are interested in, they will find a complete assortment" on his service distributor-handled racks.⁶

Proof of the importance of non-foods to operators was obtained through a questionnaire sent to sixteen companies. These replies also indicated why supermarkets are so easily persuaded to handle non-food items or to increase their present emphasis on non-foods. Fred C. Pockrandt, Sr., presi-

⁵John D. Horn, "Merchandising Non-Food Items through Super Markets," Journal of Marketing, XVIII, No. 4 (April, 1954), p. 380.

⁶"Non-Foods in Supermarket Hit 15-20% of Total Volume," ARMI News, III, No. 12 (December, 1955), p. 3.

dent of the Fred W. Albrecht Grocery Company, Akron, Ohio gave the following results from these questionnaires:

1. Ten out of sixteen companies reported they increased their linear footage given to non-foods within the last year.

2. Fourteen said they plan to increase the amount of space given to non-foods within the coming year (1956 over 1957).

3. All sixteen companies said they had increased sales in non-foods over a year ago.

4. All companies reported gross profits of 25 per cent or more on sales.

5. Eleven of sixteen stated they were pushing non-foods advertising.

6. Fourteen of the sixteen companies said that non-foods definitely aided them in their merchandising plans.⁷

Table VII gives the number of health and beauty aid commodities, toothpastes, toothbrushes, baby lotions, etc., handled by various size stores. It also indicates the number of items carried within each commodity grouping. Progressive Grocer defines a supermarket as any store doing over \$375,000 sales volume annually, a superette as any store doing a yearly sales volume of from \$75,000 to \$375,000, and a small store as any doing less than \$75,000.⁸

⁷Fred C. Pockrandt, Sr., "Where Are Non-Foods Going?," Chain Store Age, (March, 1956), pp. 68, 69, 188.

⁸Robert W. Mueller, "Super Markets Did 43.5% of Total Independent Sales in 1955," Progressive Grocer, (April, 1956), p. 46.

TABLE VII
AVERAGE NUMBER OF COMMODITIES AND ITEMS
HANDLED BY FOOD STORES*

Stores	Number of Commodities	Number of Items
ALL STORES	38	194
Super Markets	43	369
Superettes	39	173
Small Stores	36	129

*Robert W. Mueller, "Health and Beauty Aid Sales in Food Stores Up 50% Since 1952," Progressive Grocer, (April, 1954), p. 62.

Table VIII gives an indication of the principal reason why grocery store managers have been so prone to carry a sizeable number of health and beauty aid items. This table gives the profit percentage which various size food stores made on drugs. It also gives the percentage made by retailers buying from rack jobbers as opposed to those not buying from rack jobbers.

What Is Required of the Store

Sometimes the rack jobber has a legal contract in which some mention is made of the store's obligation to the rack jobber. Sometimes all that is required of the store is the provision of a certain amount of store space for the rack jobber to display his merchandise. The amount of space will vary from one rack jobber to another.

In health and beauty aids the minimum size of the department appears to be four linear feet of floor space, which may be used in a single checkout store. For each additional checkout rack operators try to install an additional four to five feet of space. The maximum for health and beauty aids is about thirty feet. Under this system a twenty-foot department with five shelves offers 100 linear feet of shelving. Dividing this footage among three hundred odd items, the average amount of space per item would be six

TABLE VIII
PER CENT MARGIN (GROSS PROFIT) CONTRIBUTED
BY DRUGS AND TOILETRIES*

Stores	Per Cent Margin on Retail Sales
ALL STORES	29.8%
Super Markets	30.2
Superettes	29.4
Small Stores	30.0
Stores Buying 100% of Needs from Service Wholesalers	26.4
Stores Not Buying from Service Wholesalers	31.0
Stores Not Subject to Fair Trade Laws	30.3%

*Robert W. Mueller, "Health and Beauty Aid Sales in Food Stores Up 50% Since 1952," Progressive Grocer, (April, 1954), p. 63.

inches.⁹

The restocking of these shelves may be done by the jobber's service man, store personnel, or both the service man and store help. Of the twelve rack jobbers interviewed five had their own men restock the racks; an equal number had store personnel do the restocking; while only two used both the service man and store workers.

In allotting space to the rack jobber the store allows the jobber to set up special promotional displays. The use of special displays was rather widespread among the interviewed jobbers, ten of the eleven using them.

For the rack jobber and the store to function as a smooth-operating unit, space is not the only requirement for the store. The two parties, and/or their respective representatives, should try working together as a team and helping each other whenever possible. One rack merchandiser told the writer that there are three things required of the store: (1) space, (2) recognition as a department, and (3) cooperation from store personnel.

Retailers' Compensation

In return for the privilege of using the retailer's

⁹Robert W. Mueller, "Health and Beauty Aids Sales and Merchandising Through Rack Jobbers" (New York: Merchandising Executives Club, August 10, 1955), pp. 4, 51. (Mimeographed.)

space, the rack jobber compensates the store on the basis of sliding discounts, depending on its volume of sales.

Naturally, the greater discounts go to the stores which sell most merchandise. Sliding discount arrangements are used so that the stores doing the best job will not be penalized, since many of the smaller rack jobbers' stores must be serviced at greater expense.¹⁰

As has been stated previously in this report, the retailer receives 25 per cent and up gross margin when he employs a rack jobber. Zimmerman says that these figures actually amount to 25 per cent and up net profit rather than gross margin. He further uses simple arithmetic in saying,

For every \$25 profit that a Super Market operator receives on the sale of \$100 worth of housewares he has to sell \$800 worth of groceries, assuming his net profit is as high as 3 per cent before taxes.¹¹

Further data on what the retailer is paid has been collected by Progressive Grocer from Jules Abramson, a Portland, Maine rack merchandiser. Abramson said his stores receive an average of 3 1/2 per cent of total store volume from their health and beauty aids departments. In a study on how much volume drugs should attain per linear foot of floor

¹⁰"Contribution of the Rack Merchandiser," Super Market Merchandising, (August, 1955), p. 3, a reprint.

¹¹Zimmerman, op. cit., p. 4.

space, Abramson reports a figure of \$25 to \$30 per foot of department per week. Hence, a ten foot department should show a minimum sales figure of \$250 a week.¹²

Some retailers take a rather cynical view of the compensation they receive from their non-foods volume. A personally interviewed rack jobber, who supplies only independent (single unit) stores, reported that he has about one out of 50 store managers who appreciates large non-food bills. Many do not realize that large rack-jobbing bills actually mean more money to the store. The store manager's usual greeting to the rack jobber's salesman is, "How much is it this time!"

Where-to-Buy Considerations for Supermarkets

At the beginning of this report the statement was made that the writer would refrain from giving any advice as to where the retailer should buy his non-foods. It still is believed desirable to cling to this resolution; however, a discussion of a few considerations on the matter might prove beneficial.

Progressive Grocer submitted the question to Abramson, asking where a food store operator should buy his health and beauty aids. Abramson, being a rack jobber, might be

¹²Jules Abramson, "Make More Money in Health and Beauty Aids," Progressive Grocer, (February, 1954), p. 50.

expected to give a biased reply to this question. To the contrary, his answer seemingly is void of bias, and to the writer of this report it appears to represent a carefully prepared, broad-minded approach to the question.

Abramson says,

We should hesitate to make any flat recommendations on best source of supply. The answer...depends on whether a store can perform all the functions of department stocking, re-stocking, maintaining correct prices, price marking, allocation of space to product and brand in accordance with sales, correct ordering, and assume the inevitable financial losses due to incorrect buying.

A typical retailer margin offered by service wholesalers such as ourselves is about 25% of retail. If the store buys from other sources, it can realize a "paper" margin of 30% to 35%. From the difference in these margins, the store must pay all the costs for the functions mentioned above...

There are successful departments run solely by store personnel. And, of course, there are successful departments operated by wholesalers offering our services. We leave the verdict up to the store operator--but caution him to weigh his own abilities and costs against those of a specialist...¹³

The Battle Between Supermarkets and Other Outlets

According to Herman C. Nolen, vice-president in charge of merchandising for a large drug manufacturer, even though some ground now is being lost to the booming supermarkets, the druggists are going to win the war eventually.

Nolen said the grocery stores are not making progress in selling cosmetics, pharmaceuticals, and other items which

¹³Ibid.

require service. Supermarkets do their selling in such items as dentifrices, shampoos, and some staple items which do not require service.

In selling health and beauty aids the food store has used five advantages: (1) open display, (2) plainly priced merchandise, (3) departmentalization, (4) one-stop shopping, and (5) making the customer feel he is getting a bargain. Nolen reports that the retail druggists have fared well against this large-scale competition because of "friendly service, convenience in location and hours, professional atmosphere and complete stocks."¹⁴

In addition to these four advantages, druggists can meet the competition by borrowing from the food markets such sales aids as open display, plainly priced merchandise, and departmentalization. Nolen stated that drug stores have been faced with "awesome competition" from department stores, mail order syndicates, chains, and supermarkets, but he has "whipped" them all in the drug field.¹⁵

In 1953 druggists sought other means to win back their drug trade from the supermarkets. In Michigan and New Jersey the states' pharmacy boards placed restrictions on the sale

¹⁴Herman C. Nolen, "Drug Stores Are Winning Against Supermarkets," Advertising Age, (January 12, 1953), p. 3.

¹⁵Ibid, p. 68.

of certain drug items in food stores; the list included aspirin, rubbing or isopropyl alcohol, iodine, peroxide, and many others.

The supermarket industry won the battle temporarily when the courts in each state said the Board of Pharmacy had exceeded its powers when it tried to ban the sale of proprietaries, of a non-prescription nature, in food stores. The Michigan State Supreme Court said it could not see that a pharmaceutical service was being rendered in the sale of such medicines.¹⁶

However, the New Jersey druggists were not to be denied. The Pharmacy Board appealed to the Appellate Division of the New Jersey Superior Court, asking for a reversal of the previous ruling. At the time of writing the decision of the Superior Court was still pending.

While the case is being decided in court, the New Jersey Pharmaceutical Association has launched an extensive campaign to build up popular sentiment for its position by distributing a million leaflets among New Jersey consumers. These leaflets contained thought-provoking pictures and slogans including:

1. "Would you let your butcher operate on you?"

¹⁶"Court Decisions Uphold Super Drug Sales," Super Market Merchandising, (August, 1953), pp. 132, 133.

2. "Don't gamble with your child's life."
3. "He's not a pharmacist!" (referring to the food store operator).
4. "Remember...Any medicine potent enough to help you--is potent enough to harm you, if misused."
5. "The place to buy drugs is in the drug store!"¹⁷

Super Market Merchandising calls these leaflets "muddy methods," "inflammatory," and "unethical propoganda." They were quick to point out the dangers inherent in this campaign by the Pharmaceutical Association and to offer a defense for supermarket operators.

In effect, Super Market Merchandising suggests that the food store operator can counter the druggists by advertising the following features:

1. The protection afforded the customer by the Federal Food and Drug Act.
2. The consumer's right to buy where he pleases.
3. The convenience of picking up drugs in supermarkets.
4. That little "professional skill" is needed to take the customer's change for patent medicines.
5. That aspirins and headache powders are dangerous, just like salt, pepper, and vinegar if they are taken in excessive quantities.
6. The availability of supermarkets in case of emergency.
7. That the customer would be put at great inconvenience if he had to buy all proprietaries at drug stores.

This magazine also suggested that managers put up store signs quaranteeing safety and purity of their medicines. The store operators might also put out handbills of their own or exert

¹⁷"N. J. Supers Resist Druggists' Smears," Super Market Merchandising, (May, 1954), p. 191.

proper influence upon the proper local, county and state officials.¹⁸

In New York 2,500 druggists got together and decided on a somewhat less radical approach to combat supermarket competition. Their solution was advertising and promotion. They planned to do this advertising and promotion through newspapers and radio spot commercials.

Their four-point program included:

1. Displaying the druggists' trade association's advertising emblem prominently.
2. Pushing merchandise of manufacturers who cooperate with the druggists.
3. Tying in drug stores' advertising (window, point-of-sale advertising) with newspaper advertising.
4. Accepting initial orders of merchandise in quantities that are deemed reasonable by the drug operators.¹⁹

Of course drug stores have not been the only outlets that have felt the effects of the large non-foods volume which the supermarkets have done. The public probably has heard the druggists do more "grumbling" simply because these retailers believe they have more adequate grounds for griping, i.e., the "protection" of the human life. In addition to drug stores, such outlets as department stores, tobacco stores, toy shops, hardwares, and variety and con-

¹⁸Ibid., pp. 194, 195.

¹⁹"New York's Independent Druggists Back New Promotion to Meet Chain Store Competition," Advertising Age, (March 23, 1953), p. 2.

fectionery shops are definitely losing would-be volume to grocery stores. Downtown department stores, in particular, not only are confronted with the competition in housewares from food stores, but they further are faced with a substantial loss in trade due to the growth of shopping centers. Their troubles have been multiplying, and their position has become less enviable in recent years.

What Store Operators Say About Non-Foods and Rack Jobbers

The following comments have been considered typical of retailers' attitudes toward non-foods. Following each comment, the type of store, the state, and the population of the metropolitan area in which the store is located have been given.

Customers like our rack very much since we have a small country store. They can pick up many items here and save a trip to the city. Well known brands always sell the best. We feel that the rack jobber is far the best in obtaining merchandise. The racks take up little space at no extra cost to us--and we do not have to buy large quantities or carry dead stock... (Small Store, S. D.--Pop. 1,000)

When we remodeled our store, the customers requested that a drug department be put in. I think that the rack jobber is the way for a store to buy his drugs because that releases him of the tax burden. I hope to make a larger and better display and that alone will sell more, especially if you can keep it full. When the display runs down, so do sales. (Super Market, Ill.--Pop. 73,000)

Why do some manufacturers let drug stores have first choice on new items? They should be able to see the handwriting on the wall. Mrs. Housewife is in the grocery three or four times to every once in a drug store, and if she hears about a product she will look for it in the grocery first... (Small Store, Ind.--Pop. 4,800)

Drugs pay for rent, lights, telephone, and water.
 (Super Market, Ore.--Pop. 7,600)
 Most profitable space in store. (Superette, Texas--
 Pop. 100,000)
 It's our pet department. (Super Market, N.C.--Pop.
 6,000)²⁰

Results of Personal Interviews with Eight Retailers

The writer conducted eight personal interviews with retailers in the Lansing, East Lansing, Frandor, and Holt shopping districts. Four independent or single-unit stores and four chain, ten or more unit, establishments were surveyed. A special questionnaire (see Appendix) was prepared and was used in each interview.

The purpose of this phase of the project was to gain a better perspective of retailers' thinking on rack jobbers along with the use of rack jobbers in their operations. Originally it was thought that some differentiation in data would be distinguishable between chain and independent stores. When all the interviews were completed, it was found that chain store managers and independent store owners did not differ significantly in their viewpoints.

Each of the eight stores used rack jobbers somewhere in their operations. Aside from miscellaneous food items, health and beauty aids was the department most frequently

²⁰Robert W. Mueller, "Health and Beauty Aid Sales in Food Stores Up 50% Since 1952," Progressive Grocer, (April, 1954), pp. 60, 61.

stocked by rack jobbers. Five stores reported they employed the services of rack merchandisers in stocking their health and beauty aids shelves. Only one store carried no health and beauty aids.

Four of the six stores handling housewares used rack jobbers in servicing this department, as did three out of five stores handling school and paper supplies. Three stores carried records, all three of these retailers using rack jobbers in this department.

A single store used rack jobbers in supplying their greeting cards, magazines and books, hosiery, and pet departments. However, six retailers said they carried magazines and books. All food stores displayed cigarettes, but not a single establishment used the rack jobber for its means of supply.

As an interesting sideline, all eight food stores used rack jobbers in obtaining various food products. Bread, crackers, cookies, soft drinks, nuts, and cheese were the most popular items stocked by these rack distributors. Baby foods, spices, and macaroni were also mentioned, but only once or twice.

The departments stocked by rack merchandisers were all self-service departments. The rack jobbers' service men were the persons who most frequently did the actual replenishing of the stores' shelves.

Most of the shelves were stocked at regular weekly intervals. The most common day for restocking was Monday.

All of the retailers interviewed had favorable attitudes toward rack jobbers. Likewise, the response was unan-
imously favorable when the retailers were asked, "If you had
your choice, would you use rack jobbers?" The most common
reasons for their friendly attitudes toward rack jobbers
included:

1. "They mean less bother to me; my help and I are
free to do other things."
2. "They know the merchandise better."
3. "Rack jobbers rotate my merchandise."
4. "My operating costs are lower."
5. "They assume much of the risk of poor sales."

All but one of the store operators believed rack job-
bers are here to stay as long as they continue their services.
Two operators qualified their prediction of a bright future
for rack jobbers by saying,

Much of their future depends on the attitude of the
labor unions toward them...if the unions decide that rack
jobbers are taking too much work away from my employees,
they may clamp down on my use of rack jobbers.

The one retailer who thought the rack jobber was only
a temporary means of distribution said he believed that his
regular wholesaler soon would begin to supply his store with
non-foods merchandise. All his supplier would have to do
would be to include this non-foods merchandise along with his
regular deliveries. Furthermore, this store operator said
that his drugs rack jobber agreed with this outlook for jobbers.

CHAPTER IX

CURRENT DATA COLLECTED FROM SEVENTY-SIX

RACK JOBBERS--A SURVEY

General Information

This chapter has been reserved for an interpretive resume of the results of a mail questionnaire which was completed and returned by 64 rack jobbers. Many questions which were asked these jobbers by mail also were presented to the twelve jobbers who were personally interviewed. Where this was the case, the total number of jobbers replying is 76.

These seventy-six jobbers were drawn from a total population of 237 jobbers in the Northeastern-northcentral part of the United States. The exact coverage of states is given in Chapter I. The addresses of the total jobber population in this area were obtained from the following three sources:

1. National Directory of Rack Jobbers (1955), Gale Research Company, Columbus, Ohio.
2. Membership Active and Associate (July 1, 1955), Toiletry Merchandisers Association, New York, New York.
3. ARMI Directory and Buyers Guide (December 20, 1955), American Rack Merchandisers Institute, Chicago, Illinois.

A further listing of the data discussed in this chapter has been given in the Appendix.

The average number of years that a single rack jobber

had been in the wholesaling business was 12.7 years. The average rack jobber had been operating as a service merchandiser for 7.0 years. Fifty-three per cent of all the contacted distributors were doing only service merchandising. Forty-seven percent were doing other types of wholesaling in addition to their rack operations (also see Tables XV and XVI in the Appendix).

Table IX shows the distribution of rack jobbers by number of grocery stores serviced. In the questionnaires these rack jobbers were also asked to indicate the total number of outlets they serviced including their grocery stores. The results of this tabulation are given in Table X.

Fifty-five per cent of all the rack jobbers had from 100 to 499 accounts representing all types of retail accounts. Sixty-two per cent of the jobbers serviced a total of from 100 to 499 accounts representing only grocery stores. The average for a single jobber of all types of stores was 1,089 stores serviced. This total is astonishingly high because two jobbers reported 30,000 and 12,000 stores serviced. The 1,004 average for food stores only likewise was high with the same two jobbers reporting 28,500 and 12,000 food stores respectively. If these two abnormally high figures are excluded from the computations, the average figures for all types of stores and for food outlets only are lowered to 528 stores and 359 stores respectively.

TABLE IX
NUMBER OF ALL TYPES OF STORES SERVICED
BY SEVENTY RACK JOBBERS*

Number of Stores Serviced	Number Servicing All Types of Stores
Less than 50	3
50 to 99	3
100 to 199	15
200 to 349	13
350 to 499	10
500 to 749	8
750 to 999	5
1000 to 1449	6
1500 to 1999	3
2000 or over	4
Total Respondents	<u>70</u>

*Source: Personal interviews and mail questionnaires

TABLE X
NUMBER OF GROCERY STORES SERVICED BY
SEVENTY RACK JOBBERS*

Number of Stores Serviced	Number Servicing Grocery Stores
Less than 50	3
50 to 99	5
100 to 199	18
200 to 349	13
350 to 499	12
500 to 749	6
750 to 999	4
1000 to 1449	3
1500 to 1999	2
2000 or over	4
Total Respondents	<u>70</u>

*Source: Personal interviews and mail questionnaires

Two-thirds of all rack jobbers employed 9 salesmen or fewer. Sixty-four per cent had 9 workers or fewer in their warehouses. Sixty-four per cent used 0 to 4 people in their offices, and two-thirds employed 0 to 3 supervisors. Some rack jobbers used other miscellaneous help which included buyers, drivers, set-up men, advertisers, chauffeurs, partners, owners, garagemen, and administrative personnel (also see Table XVII in the Appendix).

The method of salesmen's compensation was quite interesting. Table XI gives this tabulation. Table XI illustrates quite well the decreasing importance of the commission payment plan for salesmen, a plan so often discussed in marketing literature.

Relationships with Grocery Stores

The majority of all rack jobbers who carried health and beauty aids, housewares, toys, school and paper supplies, phonograph records, and a miscellaneous group of items stocked them on a weekly basis. Greeting cards and soft goods usually were stocked at two-week intervals, while of the two rack jobbers handling tobacco products, one stocked his shelves twice a week, and one stocked his on a weekly basis (also see Table XIX in the Appendix).

Disregarding the type of merchandise, the frequency with which the rack merchandisers stocked the majority of their accounts was once a week. Fifty-five per cent stocked

TABLE XI
TYPE OF SALESMEN PAYMENT PLAN USED*

Method of Payment Used	% Using
Salary-plus-commissions	39%
Straight salary	34
Commissions (with or without draw)	18
More than one plan	7
Salary plus bonus	2
Total	<u>100%</u>

*Source: Personal interviews and mail questionnaires

most of their stores weekly, 34 per cent every two weeks, seven per cent twice a week, 3 per cent more frequently than twice a week, and 1 per cent less frequently than once every two weeks.

Table XII indicates the percentage of rack jobbers carrying one or more types of non-foods. Although there is considerable overlapping in product lines, one-third of all jobbers carried only one line of products. Better than one-half handled not over two lines.

A tabulation was performed to determine which group or groups of products were the most frequently carried. Health and beauty aids were stocked by 59 per cent of all rack jobbers. School and paper supplies were carried by 45 per cent. The top five product classifications also included: (1) housewares, with 42 per cent stocking, (2) toys, carried by 41 per cent, and (3) records, handled by 23 per cent of the jobbers.

A typical rack jobber dealing in health and beauty aids stocked an average of 415 stores. In school and paper supplies the average was 288 stores; in housewares the average was 275. The average for toys turned out to be 199 stores, and for records it was 185 stores (also see Table XVIII in the Appendix).

Some information was gathered on the types of stores which used these rack merchandisers as their source of supply.

TABLE XII
PER CENT OF JOBBERS CARRYING ONE OR MORE
GROUPS OF PRODUCTS* **

Number of Product Groupings Handled	Percentage of Rack Jobbers Handling
1	33%
2	22
3	19
4	16
5	7
6	1
7	1
8	1
	100%

*Source: Personal interviews and mail questionnaires

**Product groupings include: Health and beauty aids, housewares, greeting cards, toys, school and paper supplies, records, magazines and books, tobacco products, and a miscellaneous group of products.

Each jobber was asked what percentage of his business (annual sales volume) was done with chain as compared with independent grocery stores. A chain was defined as any organization with four or more retail outlets, while an independent was one having three or fewer outlets. The same question was asked in reference to supermarkets, stores doing annual sales volume of \$500,000 or over, as opposed to non-supers, stores doing less than \$500,000 volume yearly. The results are given in Tables XIII and XIV respectively.

Table XIII shows that 24 per cent of all rack jobbers were not conducting any business with chain supermarkets. It also points up the fact that 62 per cent of the jobbers were doing less than 40 per cent of all their business with chain type food retailers. These two facts seem to substantiate the theory expressed by many people familiar with rack jobbing, i.e., rack jobbers are "stronger" in the independent retail outlets.

The data in Table XIV indicate that rack jobbers, as a whole, were not doing much greater volume of business with supermarkets than with non-supermarkets. The conclusion can be deducted that 6 per cent of the jobbers were not doing any business with stores of \$500,000 or more annual sales volume, while 8 per cent were dealing exclusively with these large-size stores.

Three-fifths of all jobbers had their own men do the

TABLE XIII
AMOUNT OF BUSINESS DONE WITH CHAINS*

Percentage of Business Done with Chains**	Percentage of Rack Jobbers Responding
0%	24%
1 to 19	21
20 to 39	17
40 to 59	8
60 to 79	9
80 to 99	17
100%	4
Total	<u>100%</u>

*Source: Personal interviews and mail questionnaires

**Chains are defined as organizations with four or more stores.

TABLE XIV
AMOUNT OF BUSINESS DONE WITH SUPERMARKETS*

Percentage of Business Done with Supermarkets**	Percentage of Rack Jobbers Responding
0%	6%
1 to 19	21
20 to 39	15
40 to 59	16
60 to 79	7
80 to 99	27
100%	8
Total	<u>100%</u>

*Source: Personal interviews and mail questionnaires

**Supermarkets defined as stores obtaining an annual sales volume of \$500,000 or more.

actual restocking of the grocery stores' shelves. Only 4 per cent relied upon store personnel to perform this restocking task, while 36 per cent used both their service men and store help in replenishing the shelves.

Only 2 per cent of all jobbers reported operating on a consignment basis in selling the goods to the store. Eighty-three per cent said they never sold on consignment, while 15 per cent stated they sometimes entered into consignment selling arrangements with their customers.

Every rack jobber responding indicated that he followed the practice of taking back merchandise from the store. A host of reasons were given by these jobbers for allowing goods to be returned. A partial list of these reasons and the percentage of rack jobbers giving each reason would include:

1. "Not selling fast enough--slow movers." (66%)
2. "Damaged or broken merchandise." (55%)
3. "Seasonal merchandise." (23%)
4. "Out-of-date--obsolete." (14%)
5. "Unsaleable." (14%)
6. "Soiled." (11%)
7. "Need space for other items." (4%)
8. "Package change." (4%)
9. "Wrong locality for item." (4%)
10. "Sales saturation." (4%)

From the foregoing list of reasons and the fact that all rack jobbers have taken back goods, it is possible to see the importance which these enterprisers place upon stock rotation.

The question of the average time period covered by the contract between the store and the rack jobber was submitted

to the 64 jobbers who returned the mail questionnaires. Sixty-four per cent of the questionnaires indicated the jobber had no contract between himself and the stores. Included in this percentage figure were 19 questionnaires on which the question was left unanswered. It can reasonably be assumed that those not responding to this question had no contract with the stores. Hence, the majority of the jobbers did not have contracts which involved a period of time.

Of the 23 jobbers who had contracts 40 per cent said their average contract ran for a two-week period; 26 per cent reported a time period from 26 months to one year; 17 per cent had "indefinite" time periods; 13 per cent had one-week contracts; and 4 per cent (one jobber) had an average contract covering one month.

In attempting to learn of some of the rack jobbers woes and dissatisfactions, the question was submitted as to whether or not grocery store managers ever asked unreasonable things of the rack jobber. Forty-nine of the 76 rack jobbers answered in the affirmative. Twenty-seven did not experience this sort of difficulty with the stores' managerial personnel. The unreasonable requests which were made by the store managers and the number of jobbers complaining about the requests would include:

1. "Ask for promotional gifts, samples, advertising, discounts, and display." (8 jobbers reporting)
2. "Want an item that won't sell." (6)
3. "Want too frequent service." (6)

4. The fourth part of the document provides a summary of the findings and discusses their implications for future research and practice. It notes that the results suggest a need for further investigation into certain areas and offers suggestions for how the findings can be applied to improve existing practices or inform policy decisions.

5. The final part of the document is a conclusion that reiterates the key points of the study and expresses the authors' confidence in the results. It also acknowledges the contributions of the research team and expresses gratitude to the funding sources and participants who made the study possible.

4. "Want to return merchandise purchased from other sources." (4)
5. "Want extended credit." (3)
6. "Want item to sell immediately." (3)
7. "Give us less space." (3)
8. "Restrict our delivery." (3)
9. "Want rush hour servicing." (2)
10. "Expect us to re-do a rack within a moments notice." (2)
11. "All kinds of requests." (2)
12. "Want us to overstock." (2)
13. "Simply don't like non-foods--period!" (2)

Relationships with Suppliers

Fifty-one per cent of these rack distributors expressed dissatisfaction with the requests made of them by some of their suppliers. A complete list of the unreasonable things requested by the suppliers and the number of jobbers listing the request has been given below:

1. "Pressure to overload." (10 jobbers reporting)
2. "Want more and better space on shelves." (8)
3. "Ask for promotion on items not worthy of any more promotion." (6)
4. "Want us to carry all sizes or styles." (6)
5. "Want us to take on unprofitable merchandise." (5)
6. "Want us to promote beyond our means." (3)
7. "Want us to test 'brain-storm' products for them." (2)
8. "Miscellaneous," "dictate policy to us," "ask us to return the items at our expense," "want immediate price changes," "mouthy," and "demand that we pay promptly." (one jobber reporting each request)

Growth in the Last Two Years and Why

An indication of the increasing importance of rack jobbers is seen in the fact that 80 per cent of all the contacted jobbers service more grocery stores now than two years ago. Nine per cent reported no increase or decrease in their

number of accounts, while only 11 per cent thought they presently are supplying fewer stores than they were in 1954.

The percentages were even more favorable in respect to sales volume. Eighty-seven per cent experienced an increase in volume since 1954, 8 per cent thought their volume had remained relatively stable; and the remaining 5 per cent had suffered a decline in sales volume over the same period of time.

The jobbers reporting a decrease in their sales volume gave the following reasons for the decline:

1. Fewer stores in the same territory. (3 jobbers reporting)
2. Chains buying direct. (2)
3. Less display space available. (1)
4. Lack of money in the locale due to strikes. (1)
5. New competition. (1)
6. Fewer items handled. (1)

The jobbers reporting an increase in volume over the last two years gave as their reasons:

1. Increase in the number of stores supplied within present territory. (44 reporting)
2. Increase in the amount of display space available in the stores. (37)
3. Increase in the size of the line of merchandise handled. (29)
4. Increase in the size of territory. (23)
5. Miscellaneous--more promotional effort (2), better packaging (1), stores doing higher percentage (1), and more cooperation from store managers (1).

Various Cross-Tabulation Analyses

There seems to be a rather strong relationship between the jobbers who experienced a decrease either in the number

of stores supplied or the volume of business done over the last two years and the type of stores they were supplying. Only 15 per cent of these rack jobbers were doing most of their business with chains, as compared with 85 per cent who depended more upon the independent food stores for business. This could mean that these jobbers have lost some of their chain accounts, and hence, their volume has declined; or it could mean that the jobbers serving independents have experienced less success than those serving chain stores.

An even larger percentage of the jobbers experiencing a decline in business did most of their sales volume with non-supermarkets, or stores of less than \$500,000 annual volume. Here the figure was 91 per cent compared with only 9 per cent who had the majority of their accounts in the form of supermarkets.

A cross-tabulation was prepared on the number of jobbers whose sales volume remained the same or decreased since 1954 and the number of stores serviced. All but one of the nine, who stated their volume to be decreasing or remaining stable, supplied a number of grocery stores that was less than the average number (359) supplied by all jobbers. This seems to substantiate the old cliché that "size is the secret of success," or that "the rich get richer and the poor get poorer."

Of the 23 rack jobbers who had contracts of any time

duration with the stores, 20 were doing the majority of their business with independent type stores. One may conclude from this cross-tabulation that chains are less inclined to enter into contractual agreements with rack jobbers.

An analysis of the number of salesmen and the number of stores was conducted. As expected, the relationship between the number of salesmen and the number of stores supplied was rather pronounced, i.e., when more stores were serviced, a proportionately larger number of salesmen were employed (see Table XXI in the Appendix). The question of which factor is the cause and which the effect must go unanswered, although it would be the writer's guess that the number of stores would determine the number of salesmen employed, since these men are probably more "service men" than they are "salesmen." The average number of accounts serviced by one salesman was 84.

It also is interesting to note the relationship between the number of years a distributor had been in operation as a rack jobber and the number of grocery stores serviced. Again there is a close relationship, with the jobbers who serviced the larger number of stores being in business as service merchandisers a longer period of time (see Table XX in the Appendix). Apparently one entering the service merchandising business cannot expect to "gain success overnight."

The number of years an establishment had operated as a rack jobber seemed to have no significant effect upon the upward or downward trend in the jobber's volume of business. Likewise, no startling results were obtained from running cross-tabulations between: (1) frequency with which stores were stocked and length of time in business, (2) frequency with which stores were stocked and contract arrangements with stores, (3) method of compensating salesmen and number of salesmen, (4) number of years in business as a wholesaler and number of years in rack merchandising, and (5) type of merchandise stocked and contract agreements with stores.

CHAPTER X

SUMMARY AND CONCLUSIONS

Analytical Approach

The object of this study was to analyze the past, present and expected future operations of a comparatively new type of wholesaler known as a "rack jobber" or "service merchandiser" so that a more concrete concept of this middle-man would result. Both secondary data and primary data were used in approaching the problem. Primary data included information obtained from a dozen rack jobbers and eight grocery store managers, who were personally interviewed, and some 225 jobbers who were mailed mimeographed letters and questionnaires. These questionnaires contained information pertaining to age and size of the jobbers overall operations, his relationships with retailers, his relationships with his suppliers, and the growth in his operations.

Supermarket Operations

Many problems have confronted the grocery store entrepreneur since the evolution of the food store from the old-time general store to the beautiful new supermarket of today. The advent of the supermarket along with its self-service type of operations brought problems in relation to display techniques, packaging considerations, pricing methods, pilferage control, advertising techniques, purchasing con-

siderations, lower profit margins, and many other areas. As the cash register tapes grew longer and turnover grew larger, competition grew stronger and profit margins grew smaller. As far as the supermarket operator was concerned, the first two points pleased him immensely, but the competition and lower margin considerations caused him a great deal of concern. Many managed to keep their doors open through the darkest periods; others were not so fortunate.

A Sweet Blessing for Many--Non-Foods. Those operators who stayed in business were seeking solutions to their dilemma. Many learned the "hard way" to cope with their packaging, displaying, and pricing problems. The problem of low profit margins was met by many with the inception of non-foods in their markets. Non-foods, with a gross profit of 25 per cent to 35 per cent, was a "far cry" from the gross profits ranging around 17 per cent on food items.

Furthermore, non-foods were a "natural" for the supermarket. One important factor favoring the sale of non-foods in grocery stores was the change which has taken place in consumer buying habits. As the housewife makes two or three trips to the food store in an average week, it is only natural for her to purchase her non-food necessities upon seeing them displayed in her store. Thus, impulse buying and convenience of purchase are big factors in the sale of this merchandise.

The life-saver had arrived for the supermarket operators! But the majority of these chaps were not familiar with the peculiarities of non-food merchandising. In addition, many learned that their warehousing, delivering, and stocking facilities were not equipped to do an adequate job of merchandising for such products as housewares, toys, health and beauty aids, soft goods, school supplies, and phonograph records.

The True Solution--The Rack Jobber. The supermarket operators saw the possibilities of non-foods in their stores. Many realized the possibility of achieving little or no success when trying to merchandise these items themselves. Although a bit leery at first, these operators began to see the advantages of turning their non-food departments over to an "expert in the field," a rack jobber.

What Did the Rack Jobber Offer?

In effect, the rack jobber has given the supermarket another department, i.e., non-foods. He maintains this department without troubling the store's personnel. The store manager is relieved of the responsibility of caring for his non-foods. Furthermore, the profit margin he offers the retailer is very attractive. As a rule, the store provides two things: (1) store space, and (2) collecting the customer's money.

Functions and Services Performed. The rack jobber is

performing a great service for the retailer when he purchases the goods from a multiplicity of manufacturers making all types of products. Wise discretion is of utmost importance if the goods that are bought are to attain successful sale through the supermarket.

If these rack merchandisers are to be successful, they must make every attempt to obtain the goods which consumers will buy. Rack jobbers are assuming a risk when they guarantee the store that, in the event of poor sales performance, the poor sellers will be replaced by other merchandise.

After the goods have been bought, they are stored temporarily in the jobber's warehouse until such time as they are used to "fill an order." Frequently the prices are marked on the merchandise before it leaves the warehouse. However, the manufacturer usually establishes the price of a product either through Fair Trade or through his suggested price lists. Dividing large shipments into one or two dozen units, stock control, salvage of returned merchandise, and preparing goods for shipment are common duties being executed at the jobber's warehouse.

Transporting the goods from the warehouse to the store's door is another function. It is not uncommon for a jobber to have a fleet of trucks which will service the stores anywhere from three times a week to once a month. Most jobbers extend their services further by actually putting the goods on the

non-foods racks in the stores.

Even the racks are loaned to many retailers by their jobbers. In addition, special display fixtures are provided the stores. Dump, table, and shelf extension displays have gained wide-spread popularity as types of special display fixtures.

Rack jobbers have taken an active part in supplying manufacturers with market information. Likewise, much help is given the store operators in this respect. Package specifications, size and nature of consumer demands, promotional advice, and pricing suggestions are included in the service which the jobber gives his suppliers and customers. The two associations of rack jobbers, the American Rack Merchandisers Institute and the Toiletry Merchandisers Association, have acted as clearinghouses for market information.

If one rack jobbing service could be singled out as being the most valuable, it probably would be stock rotation. When a product does not sell in one locale, a jobber replaces it with another product. The poor seller may then be placed in another store where the sales results may be reversed.

Other services which are performed by many jobbers include: (1) filing of excise tax reports with the government, (2) advertising, (3) seasonal promotions, (4) making shelves and merchandise presentable, and (5) complete handling of all records on shipments and receipts.

Types of Merchandise Handled. Rack jobbing is not limited to non-foods. Soft drinks, bakery products, and potato chips are placed in many grocery stores by rack jobbers. However, this study has been limited to non-food merchandise. The most popular non-foods in which rack jobbers specialize are drugs, housewares, toys, paper products, magazines and books, records, appliances, soft goods, greeting cards, jewelry, pet supplies, tobacco products, and garden utensils.

The individual items which are selected for display must sell themselves. Impulse buying plays a dominant role, as does national advertising and brand name. The products receive little or no sales push from the store personnel; therefore, many writers have said that this merchandise must be "presold."

Problems Encountered. One of the main problems which rack jobbers have with their suppliers is that of compensation. The rack jobber maintains he should receive larger discounts than regular drug or housewares distributors because of the services he performs for his suppliers. The suppliers, who are usually manufacturers, contend that they would be discriminating unduly if special concessions were given.

The jobber claims the manufacturers are putting a great deal of "pressure" on them to carry complete lines. Some say they cannot depend on the manufacturers' shipping schedules. Others report that some manufacturers refuse to

deal with their concerns because of the possible repercussions from druggists, department stores, and hardware retailers.

On the selling side of the picture many problems also arise. Retailer demands for extended credit, larger percentages, increased deliveries, less space, more products, lower prices, immediate success of an item, and faster turnover are not only contradictory but frequently outright impossible.

Other selling problems perplexing rack jobbers concern pilferage, space allotment, promotion, pricing, returns, and store managers' lack of concern.

Competition has been a problem to many jobbers. Some chains are buying direct from manufacturers. Others are purchasing their non-foods from regular drug or housewares wholesalers who offer only a few services. Others have joined cooperative buying organizations. Some buy from their food salesmen who handle non-foods incidental to their food products.

Effect Upon Other Outlets. The retail druggists have felt the effects of the sale of drugs in supermarkets. To rid themselves of the supermarket curse they have tried several means, including legal action, various forms of pressure on manufacturers, and "inflammatory" advertising methods. Undoubtedly the druggists' sales volume in this merchandise has declined proportionate to their other sales as evidenced

by the old cliché, "When something begins to hurt, people begin to holler."

Although department, hardware, variety, and tobacco stores have voiced their disparagement less publicly, they have suffered in sales volume since the inception of cigarettes, toasters, and kitchenwares in supermarkets.

Does the Rack Jobber Offer Enough? The answer to this question can be approached from two points-of-view, i.e., margins or services. It is between these two "forces" that a rack jobber must establish some point of equilibrium. He has the choice of offering the retailer more services and lower gross margin percentages or offering larger percentages and fewer services. "The candle can't be burned at both ends," or the rack merchandiser may find he is operating in the red or out of business.

It would be desirable for some retailers to receive larger percentages in lieu of services. Some feel that they can provide some of the services such as shelf restocking, pricing, displaying, etc. cheaper and better than their jobbers. Others may maximize their total net profits from non-foods by having the rack jobbers perform more services and reduce the retailers' take accordingly.

If one were to submit a generalization about all rack jobbers, it can be said that these distributors should offer more services to the smaller grocery establishments. This

would necessitate a decrease in the amount of discount given these retailers. The contrary should prevail when speaking of large chain organizations.

Therefore, the problem is not simply one of offering more or less; it is a question of putting two factors together in the proper combination. The rack jobber must realize that he is dealing with a heterogeneous group of customers and that there is considerable variance in the needs of these retailers. It is imperative that the jobber look upon his customers as individuals rather than masses. Only in this fashion will both the profits of the jobber and the profits of the retailer be maximized.

Future Prediction

From personal associations with numerous rack jobbers and after a perusal of the available literature in the field, the writer predicts that rack jobbers will at least maintain their present position and quite possibly continue to increase the size of their business--both volumewise and percentage-wise. This general prediction will be made more specific and will be somewhat qualified in the next few paragraphs.

In the successful sale of non-food items in supermarkets an important consideration is the service which these products must receive. It is difficult to say just how important rack jobbing will be five or ten years from now. It seems to the writer that the type of merchandise is

a decisive factor in determining when, where, and to what extent rack jobbers will be used. Also, of course, much depends upon the rack merchandiser himself.

If the merchandise requires a good deal of rotation due to seasonal demand, infrequent purchase, or impulse selling, then it appears that a supermarket operator may well maximize his profits in these non-foods by using a service distributor. Housewares and toys are indicative of this type of merchandise. If the merchandise is purchased regularly and is not of a seasonal nature, many stores, especially established chain organizations, can benefit through buying direct from the manufacturers or "non-service" wholesalers. Such items as toothpaste, shaving creams, hair preparations, and baby needs are indicative of the latter type of products.

The rack jobber may find his popularity in the larger chains declining in the future. In fact, it is believed that the relationship of these chains with the drug rack jobber is presently in a period of transition. These chain organizations are of a magnitude which enables them to establish their own warehouses, delivery service, and servicing of the non-foods racks within their stores. It has taken them a period of several years to gain the necessary experience with non-foods, but once this has been obtained there is little reason for them to hesitate in operating their own

non-foods departments. As was stated previously, the pronounced trend in this direction will be seen in the health and beauty aids field. In housewares these chains may gain a higher profit percentage by going direct, but they may encounter lower net profits in so doing.

In the smaller supermarket chains and the single-unit independent stores the rack jobber will continue to receive wide-spread use. Many small manufacturers use selling agents or manufacturers' agents for the distribution of their products because they cannot afford to maintain salesforces of their own. Similarly, the smaller supermarkets will tend to use rack jobbers because they cannot afford to establish warehouses, hire skilled personnel, contact the many sources of supply, etc. For the small independent food store the rack jobber is the most economical way of obtaining non-foods. Hence, its profits are maximized in this fashion.

Again it should be stressed that the foregoing several paragraphs represent only predictions of what might happen. The intent of these remarks is not to recommend one source of supply over another for any particular food store, for there are many factors which enter into this decision-making process. Furthermore, the choice itself is to be made by the store's management after a careful survey of the ramifications of each alternative.

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• $\mathbb{R}^n$ is a vector space over $\mathbb{R}$ with the standard inner product $\langle \cdot, \cdot \rangle$ and the standard norm $\|\cdot\|$.

• $\mathbb{R}^n$ is a Hilbert space with the standard inner product $\langle \cdot, \cdot \rangle$ and the standard norm $\|\cdot\|$.

• $\mathbb{R}^n$ is a Banach space with the standard norm $\|\cdot\|$.

• $\mathbb{R}^n$ is a normed space with the standard norm $\|\cdot\|$.

• $\mathbb{R}^n$ is a metric space with the standard metric $d(x, y) = \|x - y\|$.

• $\mathbb{R}^n$ is a topological space with the standard topology.

• $\mathbb{R}^n$ is a Hausdorff space.

• $\mathbb{R}^n$ is a separable space.

• $\mathbb{R}^n$ is a complete metric space.

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APPENDIX

TABLE XV
NUMBER OF YEARS IN BUSINESS AS A WHOLESALER

Length of Time in Business	Number of Jobbers Replying
Fewer than 5 yrs.	16
5 yrs. to 9.99 yrs.	19
10 yrs. to 14.99 yrs.	10
15 yrs. to 19.99 yrs.	5
20 yrs. or over	17
Total number of respondents	<u>67</u>

TABLE XVI
NUMBER OF YEARS IN BUSINESS AS A RACK JOBBER

Length of Time in Business	Number of Jobbers Replying
Fewer than 2.5 yrs.	3
2.5 yrs. to 4.99 yrs.	17
5 yrs. to 7.49 yrs.	32
7.5 yrs. to 9.99 yrs.	8
10 yrs. to 14.99 yrs.	9
15 yrs. to 19.99 yrs.	4
20 yrs. or over	2
Total number of respondents	<u>75</u>

TABLE XVII
TYPE AND AMOUNT OF PERSONNEL EMPLOYED

No. of Salesmen		No. of Jobbers Employing	No. of Warehouse Help	No. of Jobbers Employing
3 or fewer	21		3 or fewer	20
4 to 6	20		4 to 6	11
7 to 9	10		7 to 9	8
10 to 12	5		10 to 12	6
13 to 15	2		13 to 15	3
16 to 19	5		16 to 19	3
20 to 29	5		20 to 29	4
30 to 39	3		30 to 39	2
40 to 49	--		40 to 49	1
50 or over	4		50 or over	3
Total	75		Total	61

No. of Office Help		No. of Jobbers Employing	No. of Supervisors	No. of Jobbers Employing	Other Help Used	No. of Jobbers Employing
1	12		1	20	1	5
2	13		2	11	2	10
3	5		3	4	3	2
4 or 5	9		4 or 5	7	4 or 5	4
6 or 7	5		6 or 7	1	6 or 7	1
8 or 9	1		8 or 9	1	8 or 9	1
over 9	11		over 9	3	over 9	4
Total	56		Total	47	Total	27

TABLE XVIII
TYPE OF PRODUCT LINES CARRIED AND
NUMBER OF STORES STOCKED

Type of Merchandise	Total No. of Rack Jobbers Handling	% of Rack Jobbers Handling	Total No. of Stores Stocked	Average No. of Stores Stocked
Health and beauty aids	41	59	17,013	415
Housewares	30	42	8,247	275
Greeting cards	7	10	985	141
Toys	29	41	5,782	199
School and paper supplies	32	45	9,214	288
Records	16	23	2,953	185
Magazines and books	8	12	614	77
Tobacco products	2	3	2,517	1,259
Soft goods	10	14	43,433	4,343
Other products	8	12	2,062	258

TABLE XIX
FREQUENCY WITH WHICH RACK JOBBERS REPLENISHED
MERCHANDISE IN THE MAJORITY OF
THEIR STORES

Type of Merchandise	Number Stocking More Frequently than Twice a Week	Number Stocking Twice a Week	Number Stocking Once a Week	Number Stocking Every 2 Weeks	Number Stocking Less Often than Every 2 Weeks
Health and beauty aids	--	3	23	15	--
Housewares	3	1	18	8	--
Greeting cards	--	1	1	5	1
Toys	1	2	16	9	1
School and paper supplies	2	3	19	8	--
Records	--	3	10	3	--
Magazines and books	1	3	2	2	--
Tobacco products	--	1	1	--	--
Soft goods	1	1	--	6	2
Other products	--	--	6	2	--
Totals	8	18	96	58	4

TABLE XX
NUMBER OF YEARS IN SERVICE MERCHANDISING COMPARED
TO THE NUMBER OF SUPERMARKETS STOCKED

Number of Rack Jobbers Reporting They Stocked:																				
Number of Years Jobbers Were in Business	Fewer than 50 Mkts.		50 to 99 Mkts.		100 to 199 Mkts.		200 to 349 Mkts.		350 to 499 Mkts.		500 to 749 Mkts.		750 to 999 Mkts.		1000 to 1449 Mkts.		1500 to 1999 Mkts.		2000 or Over	
Fewer than 2.49	1		1		1		1		1		1		1		1		1		1	
2.5 to 4.99	2		1		3		2		6		5		2		1		1		1	
5.0 to 7.49	1		1		3		6		1		1		1		1		1		1	
7.5 to 9.99					1		1		1		1		1		1		1		1	
10.0 to 14.99					2		4		2		2		2		1		1		1	
15.0 to 19.99							1													
20.0 or over																				

TABLE XXI

NUMBER OF EMPLOYED SALESMEN COMPARED TO THE
NUMBER OF SUPERMARKETS STOCKED

No. of Salesmen Employed by Rack Jobbers	Number of Rack Jobbers Reporting They Stocked:										2000 Mkts. or Over
	Fewer than 50 Mkts.	50 to 99 Mkts.	100 to 199 Mkts.	200 to 349 Mkts.	350 to 499 Mkts.	500 to 749 Mkts.	750 to 999 Mkts.	1000 to 1449 Mkts.	1500 to 1999 Mkts.		
3 or fewer	2	2	7	5		1	1				
4 to 6			8	4	6	2		1			
7 to 9		1	1	2	1		1				
10 to 12	1		2	1		1					
13 to 15	1		1		1	1					1
16 to 19				1				1			
20 to 29				1	1	1	1		1		
30 to 39										1	
40 to 49										1	
50 or over								1			3

March 29, 1956

Gentlemen:

Perhaps you have learned of this study on "Service Merchandisers" or "Rack Jobbers". Early in February, I contacted both The American Rack Merchandisers Institute, and The Toiletary Merchandisers Association, asking them to make known this study in the Associations' trade releases. It is very possible by now that you have read about this study which I am conducting at Michigan State University.

As a means of gaining this material first-hand, I am sending a questionnaire to a selected number of service merchandisers. All information on these questionnaires will be anonymous. There will be absolutely no attempt at identifying any merchandiser with any questionnaire which is returned.

I would immensely appreciate it if you would complete the enclosed questionnaire and send it to me in the enclosed return envelope. It will be helpful if you can answer all of these questions as fully as possible; however, leave blank any questions you are unable to answer for any reason.

If you would like to receive a copy of the results of this survey, please send me your address either with your questionnaire or on a separate postcard. It is hoped that the results will prove useful to you in obtaining more knowledge about this important group of wholesalers of which you play a vital part.

Sincerely yours,

BUREAU OF BUSINESS RESEARCH

James A. Slater, Research Assistant

JAS:ls

Enclosures

SERVICE MERCHANDISER QUESTIONNAIRE

- A. 1. How long have you been in business as a wholesaler? years
2. How long have you been operating as a service merchandiser? years
3. Are you presently doing any wholesaling other than actual service merchandising? yes no
4. How many stores do you supply? stores
5. How many people do you employ as: salesmen supervisors
 warehouse help others (please
 office help specify)
6. How are your salesmen paid? salary commissions salary & commissions

*FOLLOWING QUESTIONS APPLY ONLY TO YOUR SERVICE MERCHANDISING IN GROCERY STORES

- B. 1. How many grocery stores do you service? _____ stores
2. For how many grocery stores do you supply the following merchandise, and on the average, how many times a month are these shelves restocked?

<u>TYPE OF MERCHANDISE</u>	No. of Stores	No. of Stores	No. of Stores
	<u>Stk'd Twice a wk.</u>	<u>Stk'd weekly</u>	<u>Stk'd Every 2 Weeks</u>
Health and Beauty Aids	_____	_____	_____
Housewares (Appliances)	_____	_____	_____
Greeting Cards	_____	_____	_____
Toys	_____	_____	_____
School and Paper Supplies	_____	_____	_____
Records	_____	_____	_____
Magazines and Books	_____	_____	_____
Tobacco Products	_____	_____	_____
Others (please specify)	_____	_____	_____

3. Approximately what percent of your business is done with chains as compared to independent grocery stores? chain(4 or more) independent(3 or less)
4. Approximately what percent of your business is done with supermarkets(\$500,000 or over annual sales), as compared to non-supers? % supers % non-supers
5. Who is responsible for restocking the grocery stores' shelves?
our men store personnel both our men and store personnel

- C. 1. Do you operate on a consignment basis (keeping title to the goods)?
 yes sometimes never
 2. If you do not operate on consignment basis, do you allow the stores to return
 merchandise? yes sometimes never
 3. For what reasons are goods usually taken back? _____
 4. Do you find that grocery store managers or independent store owners sometimes
 ask unreasonable things of you? yes no
 5. What sort of unreasonable requests are made by the managers or owners? _____
 6. Do you find that your suppliers sometimes ask unreasonable things of you?
 yes no
 7. What sort of unreasonable requests are made by the suppliers?

- D. 1. Are you serving more grocery stores now or fewer than two years ago?
 more fewer about the same number
2. Has your sales volume increased or decreased within the last two years?
 increased decreased remained about the same
3. What has been the cause or causes for this change? (please check all that apply)
- a. change in size of territory
- b. change in number of stores serviced in the same territory
- c. change in the amount of display space available in the stores
- d. change in the line of merchandise handled
- e. other (please specify) _____

4. What average time period is covered by your contract with the stores? weeks

STORE QUESTIONNAIRE

1. Is your store a _____ chain, or _____ an independent?
2. Do you use rack jobbers in any phase of your operations? _____ yes _____ no
3. In what phases or types of merchandise are rack jobbers used?

- Health and Beauty Aids
- Housewares (Appliances)
- Greeting Cards
- Toys
- School and Paper Supplies

- ☐ Records
- ☐ Magazines and Books
- ☐ Tobacco Products
- ☐ Food Items
- ☐ Others (please specify)

4. Are these departments all self-service? yes no
5. Who takes the inventory where rack jobbers are used? jobber store mgr.
6. Approximately how often is the inventory taken and shipments received? store help

<u>TYPE OF MERCHANDISE</u>	<u>Stk'd Twice a Wk.</u>	<u>Stk'd Weekly</u>	<u>Stk'd Every 2 Weeks</u>
Health and Beauty Aids	_____	_____	_____
Housewares (Appliances)	_____	_____	_____
Greeting Cards	_____	_____	_____
Toys	_____	_____	_____
School and Paper Supplies	_____	_____	_____
Records	_____	_____	_____
Magazines and Books	_____	_____	_____
Tobacco Products	_____	_____	_____
Others (please specify)	_____	_____	_____

7. Who replenishes the shelves where rack jobbers are used?

	Rack Jobber	Store Personnel
Health and Beauty Aids	_____	_____
Housewares (Appliances)	_____	_____
Greeting Cards	_____	_____
Toys	_____	_____
School and Paper Supplies	_____	_____
Records	_____	_____
Magazines and Books	_____	_____
Tobacco Products	_____	_____
Others (please specify)	_____	_____

8. On what day, or days, of the week are these shelves generally restocked?

	<u>Mon.</u>	<u>Tues.</u>	<u>Wed.</u>	<u>Thurs.</u>	<u>Fri.</u>	<u>Sat.</u>	<u>Sun.</u>
Health and Beauty Aids							
Housewares (Appliances)							
Greeting Cards							
Toys							
School and Paper Supplies							
Records							
Magazines and Books							
Tobacco Products							
Others (please specify)							

9. What is your opinion regarding the use of rack jobbers?

- ☐ favorable
- ☐ favorable for some merchandise
- ☐ not favorable for any merchandise
- ☐ indifferent

10. If you had your choice, would you use rack jobbers? yes sometimes never

11. What do you like about rack jobbers?

12. What do you dislike about rack jobbers?

13. Why do you use rack jobbers?

merchandise is rotated	less risk
operating costs are lower	less bother
cheaper	only temporary
newness	other reason

14. Do you think rack jobbing is here to stay? yes no
15. Why or why not?

15. Why or why not?

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