



132
330
THS

USES OF MARKETING RESEARCH BY THE
FOOD CHAIN INDUSTRY

Thesis for the Degree of M. A.

MICHIGAN STATE COLLEGE

Eugene Shannon Mahany

1951

USES OF MARKETING RESEARCH BY THE FOOD CHAIN INDUSTRY

By

Eugene Shannon Mahany

A THESIS

**Submitted to the School of Graduate Studies of Michigan
State College of Agriculture and Applied Science
in partial fulfillment of the requirements
for the degree of**

MASTER OF ARTS

Department of General Business

Curriculum in Food Distribution

1951

ACKNOWLEDGMENTS

The writer wishes to express his sincere appreciation to Mr. Richard Hardesty of the merchandising research department of the Kroger Company for his excellent cooperation in making the facilities of that department available to the writer and for his constructive criticism.

The other food chains mentioned herein have furnished information for which the author wishes to render thanks.

Gratitude is also due Dr. Kenneth Wilson, Director of the Curriculum in Food Distribution, for his interest, supervision and helpful suggestions in the preparation of this thesis.

Eugene Shannon Mahony

TABLE OF CONTENTS

CHAPTER	PAGE
I. INTRODUCTION	1
Procedure	5
II. MARKETING RESEARCH TECHNIQUES	6
III. RESEARCH BY THE KROGER COMPANY	13
IV. TYPICAL STUDIES BY THE MERCHANDISING RESEARCH DEPARTMENT	21
Merchandising Reports	22
Premium Reports	31
New Line Reports	33
Customer Attitudes Reports	34
Advertising Reports	41
Reports on Competition	46
Reports on Promotions	49
Technical Reports	51
Miscellaneous	51
Panel Operation	52
V. STOP & SHOP, INCORPORATED	60
VI. RESEARCH BY OTHER CHAINS	70
Safeway Stores	70
Grand Union	73
Food Fair Stores	73
Alpha Beta Food Markets	74
Colonial Stores	76
Jewel Food Stores	82
Penn Fruit Company	83
Red Owl Stores	83

CHAPTER	PAGE
American Stores	83
J. Weingarten	84
National Tea Company	84
Other Chains	84
VII. ORGANIZATION OF A MARKETING RESEARCH DEPARTMENT	86
Separate Department Versus Line Executive	86
Size of Department	88
Outside Sources of Information	90
VIII. SUMMARY AND CONCLUSIONS	93
BIBLIOGRAPHY	97

LIST OF FIGURES

FIGURE	PAGE
1. Organization of Kroger merchandising research department . .	18
2. Questionnaire used in Cincinnati survey	35
3. Questionnaire for setting up panel	54
4. Panel weekly reporting form	58
5. Stop & Shop marketing research department	62
6. Marketing research department of Safeway Stores	71
7. Questionnaire used by Colonial Stores	77

CHAPTER I

INTRODUCTION

The purpose of this thesis is to examine the uses of marketing research by the food chain industry. Marketing research is still a relatively young management tool, only recently having come of age. There are probably quite a few food chain executives, having risen through the ranks, that are unfamiliar with marketing research and do not realize how they can use it to their advantage. This may, to some degree, be attributed to those practitioners of marketing research who have clothed their work in an esoteric mumbo-jumbo which is incomprehensible to the busy executive.

While marketing research has generally been confined to the larger corporations, marketing research men might well re-examine their tactics to enable the smaller firms to utilize this aid without an undue drain on their finances. This thesis will examine the work of various food chains in this field with a view to throwing some light on the uses to which they can put marketing research. It is felt that more food chains would expand their marketing research if they realized how profitable it can prove to be.

There are a number of reasons why marketing research should be a great help in solving the problems that confront chain store systems. The food chains operate on an extremely low profit margin - a net of between one and two cents on the sales dollar is common. In view of the small profit margin and intense competition, increased efficiency

on the part of any one chain should materially better its position. Marketing research is constantly striving for more efficient ways to operate a business.

Retailing is a dynamic field. Companies either progress or retreat; there is no standing still. Thus, the best solution to yesterday's problem may not necessarily be the best today, and today's correct answer may be outmoded tomorrow. Questions are never permanently answered in the field of retailing. Marketing research serves the function of observing the day-to-day variations in business and spotting the significant trends that emerge from these seemingly random happenings. In an absolute sense, marketing research is never completed.

Much of the secret of the chain store success has been in the standardization of retail units. This physical standardization of retail units, plus the standardization of operating methods and merchandising procedures, should facilitate the work of marketing research. Generally speaking, what is true of any representative group of stores should be true of all stores. Thus, experiments in merchandising and promotions could be carried out on a relatively small scale, and through inductive reasoning the results could be generalized to apply to the entire chain.

The amount of research in the field of distribution is negligible as compared with the funds and energies devoted to research in the field of technology and production, in spite of the fact that distribution in all its phases represents a more important area in our total economy than does production.¹

¹ Does Distribution Cost Too Much? (New York: The Twentieth Century Fund, 1941), p. 358.

To too many people the field of production is a science, while the field of distribution is an art. For example, many sales managers, having worked up through the ranks, consider themselves salesmen at high levels, rather than experts in the field of marketing. A vice-president in charge of production may pore over a twenty-page complex report of tables and charts, submitted by his research chemist, since he is often a trained engineer. A vice-president in charge of sales, however, may pay little attention to a twenty-page marketing research report, since he may have little formal training in statistics and economics.

That there is a difference between the fields of production and distribution cannot be denied. Nevertheless, marketing research is striving to make distribution more scientific by applying scientific principles which have long been used in the field of production.

It is hardly scientific when an executive imagines that his wife or secretary is the "typical" female. Marketing research serves to make distribution, formerly a hit-or-miss proposition, more hit than miss.

Line executives, accepting the status quo as the best way to do a job, are often unable to visualize a better way to perform a certain task. Marketing research men, however, look at all things with a critical eye. To them a certain answer is not necessarily the best solution to a problem merely because it is being done that way at the present time. They examine everything with a view to finding a better way.

Marketing research men must show top management how they can profit through research techniques. Sound research and an intelligent application of the results are necessary if the fullest benefits are to be

derived from the research budget. If research allows itself to lose sight of the profit motive as the real reason for its existence, if the merchandising and sales departments fail to make practical use of the facts developed, and if top management allows either of these things to happen, then the money spent is wasted.

A definition of the term "marketing research" would be in order at this point.

Marketing research, in the broad sense, is the study of all the problems and methods of distribution. The function of the marketing research department, then, is to study the methods and problems of distribution, including all the activities involved in the transfer of goods and services from producer to consumer, and to present to management facts and recommendations leading to increased efficiency in this field.²

The term, as can be seen from the above, is quite broad. That this term is somewhat amorphous is indicated in this study by the different meanings which various food chains attach to the term.

Chapter II discusses the three techniques for collecting original marketing research data. Emphasis in this section is on the controlled experiment technique which seems to hold much promise for food chains. Chapter III is a general description of research work done by the Kroger Company. Chapter IV is a case study of the work done by the merchandising research department of the Kroger Company in the past two years. Chapter V takes up the marketing research work done by Stop & Shop, Incorporated of Boston. The available experience of other chains is treated in Chapter VI. Chapter VII discusses the position of the mar-

² G. Clark Thompson, Organization for Market Research (Studies in Business Policy, No. 19) (New York: National Industrial Conference Board, 1946), p. 9.

keting research function in the organizational pattern and also mentions the secondary sources which may be of value in a research department. This chapter is written mainly from the point of view of the smaller chain that has a rather limited research budget.

Procedure

There has not been a great deal of printed material on the uses to which a food chain can put marketing research. While Chapters II and VII were based on secondary data, the bulk of the intervening chapters was derived from answers to personal letters sent to the various chains mentioned. Each chain was asked: whether it had a marketing research department; if so, the size of the department; the type of work done; and to whom the department was responsible.

It was impossible to get the desired information about a few food chains. While this is regretted, it is felt that the information on the chains mentioned is adequate to give a good idea of the current status of marketing research in the food chain field.

The information about the Kroger Company is more detailed than that concerning any of the other chains. This is due to the fact that the author was permitted to observe the work of the merchandising research department for a considerable period of time and was allowed to read the reports covering the past two-year period.

To determine the extent of research done by others which could be of benefit to the chains, letters were sent to trade associations, manufacturers, government agencies, syndicated services, trade publications, and advertising media.

CHAPTER II

MARKETING RESEARCH TECHNIQUES

The purpose of this chapter is to discuss the three techniques for gathering primary data in marketing research. An understanding of these techniques is required to comprehend better the marketing research work done by food chains, which will be cited in later chapters. Such a discussion should serve to orient those unfamiliar with the field. While much of this chapter may be repetitious to the cognoscenti, stress is put on the heretofore rather neglected experimental technique which seems well suited to the particular needs of the food chains.

To a great number of people the words "survey" and "marketing research" are almost synonymous. The average layman has no idea of the large number of functions that can be performed by marketing research men, using techniques other than the survey. Despite the fact that the survey is the most frequently used technique, it is conceded to be less accurate than the other two methods, the observational and experimental techniques.

Before proceeding further, these terms should be defined. Lydon O. Brown, eminent marketing research scholar, offers the following explanation of these terms:

The essential element in the survey method is that the data are furnished by an individual in a conscious effort to answer a question. The observational method relies on the direct observation of physical phenomena in the gathering of data. The experimental method is

essentially the procedure of carrying out on a small scale a trial solution to a problem.³

Since a survey necessarily involves a human being in a conscious effort to answer a question, it is subject to error unless certain precautions are taken. In surveys there is a wide range of viewpoints with which different persons may look at the same question. Different terms mean different things to different people, and subjective answers which result from these differences are sometimes unreliable. The human memory, a tenuous thing, often compounds the error of surveys. Despite these limitations, however, the survey is a technique which is well suited for many kinds of research.

The observational technique is superior to the survey in that it is less subjective since any possible subjectivity can only be unilateral (on the part of the observer), while the survey is liable to bilateral subjectivity (on the part of both interviewers and respondents).

The experimental method is the most scientific and objective of the three methods, but has not enjoyed a very wide use. However, there is a great deal to recommend it in solving a number of merchandising problems that arise in a food chain. These food firms have, to a large extent, standardized their retail units as to layout and merchandising policies. What is effective in one, therefore, should be effective in another unless there are strong extraneous factors that must be considered.

The experimental method, of course, is widely used in all the natural sciences. From their experiments the scientists reach over-all conclusions.

³ Lydon O. Brown, Marketing and Distribution Research (New York: The Roland Press Company, 1954), p. 96, 311, and 385.

They attempt to hold all the variables constant except the particular one which is being studied.

Although it is possible in the physical sciences to hold all the variables except one constant, in the field of retailing this cannot be done. Since it is impossible to hold the other variables, such as weather, competition, et cetera constant, it becomes necessary to allow these uncontrollable factors to exert their effect simultaneously on a number of stores. If, therefore, these factors are working on two groups of stores in approximately the same manner and the variable to be measured is the only apparent difference between the two groups of stores, controlled experimentation is possible.

The group of stores in which the variable is to be tested is the test group, while the group in which the variable is not present is the control group. The stores in the one group should be quite comparable to the stores in the other group in a number of respects. William Applebaum of Step & Shop, Incorporated recommends the following criteria:⁴

- 1) type of store - super market versus service store, number and types of departments;
- 2) sizes of store - departmental and total weekly sales, weekly customer count, store area, size of parking lot;
- 3) trading area - size of city, location of store (rural, suburban, urban, metropolitan), economic and racial groups, competition;
- 4) shopping habits - means of reaching store, sex of majority of customers, frequency of store visits, length of patronage, average size of sale.

Of course, all of the above factors may not be of importance in any one test, so it is up to the marketing research man to determine just which

⁴ William Applebaum, "Controlled Experimentation in Marketing Research", Journal of Marketing, 14:507, January, 1950.

are pertinent in any one instance. Mr. Applebaum says that it is customary in his company to use five stores each in the control and test groups in most studies. There should, of course, be an additional group of stores for every additional variable to be tested simultaneously. It is quite impossible to determine just how much of the effect is due to each of the variables.

In using controlled experimentation, it is customary to get a base period in both groups of stores which is used as the norm. Following the base period is the test period. The post-test period is quite often also calculated to see the subsequent effect on sales of a certain type of promotion. These post-test measurements tell whether future purchases were mortgaged or whether additional sales were created.

The research men usually inform the store manager of the forthcoming test when the specific stores are determined. Each and every full-time and part-time clerk should be told of the test, lest he in some way interfere with it. Almost always, an audit of merchandise in the store is required. Such audits are usually made by the supervisors of the research project. Store managers are often too busy to devote their time to compiling accurate figures.

If the test is to be of a rather short duration, deliveries to the store should not be used since they indicate movement from the warehouse, not sales. Over an extended length of time, however, deliveries to the store would give a respectable measure of sales.

The results of these tests are usually given in either physical units or in dollar sales, or sometimes in both. The net result of the variable being tested is found by subtracting the change in the control

group from the base to the test period from the change in the test group over the same period. Assuming that a certain brand of peas is being displayed in a test, the following example may clarify this point. If the control group, where there was no display, gained 5 percent during the test period and the test group, with the peas on display, sold 25 percent more of the brand of peas during the test, the net result attributable to the display, the variable, would be 20 percent.

To cancel out the effect of store size, the results are expressed as sales per one hundred dollars of total store sales in some instances. This reflects the intensity of the merchandising effort put behind an item, rather than the store size. In other instances, dollar sales of an item per store transaction may be an indicative ratio. Mr. Applebaum says:

In general, both dollar sales and unit sales results should be measured in relation to total store sales, to department sales, to share of the market, and to the number of transactions. In many studies the costs required to get the sales results and markup dollar profits produced must also be analyzed. Finally, it may be necessary or desirable in some cases to measure sales results in relation to linear shelf frontage, store floor area occupied and cubic area involved (in equipment), et cetera.⁵

Food chains can use this controlled experimentation type of research in solving a number of problems. Packaging, for instance, can be made more scientific by such research. Tests of different packaging materials, such as glass versus tin, can be made. Tests of different package sizes could be useful, for example, in deciding whether to put oranges in mesh bags of five or eight pounds.

⁵ Ibid., p. 512

The long controversial subject of the benefit of displays in food stores can be solved by the use of such controlled experimentation. Of course, any item displayed should sell in greater quantities, but it must be determined whether new sales are created or whether sales are merely shifted to the displayed brand from other brands. Tests have also been conducted on the amount of shelf space given to an item and the effect of various shelves on sales. Stop & Shop has conducted tests on the arrangement of merchandise on special display, the size of displays, single item versus multiple item displays and the productive life span of displays.

There seems to be a great deal of room for improvement in pricing. Controlled experimentation may be quite a help in this respect. The rule of thumb is often the means of arriving at a retail price. Prices that represent a certain margin over cost often are arrived at without considering the demand for an item. The elasticity of demand for an item is a very difficult thing to determine, but controlled experiments should be a valuable aid in equating margin and sales to produce the maximum dollar profit. Dollar profits are much more important than percentage figures.

It is certainly sensible to try out a promotional scheme on a small scale before risking a large amount of money on it. Controlled experiments are ideal for this type of thing. Sales executives are often carried away by fantastic schemes, and research must show them the error of their ways before the company loses money on such schemes. "Many a

promotional idea, even though conceived in ecstasy and gestated in great hopes, ends in miscarriage!"⁶

Experiments in selected test stores help in deciding the sales potential of a suggested new item or line and will give an idea of what effect it will have on the existing competitive products.

The market research department of Stop & Shop has even used controlled experiments in adopting new store equipment and in work simplification.

Although the experimental method can be of much service to research work in the food chain field, its limitations must be recognized. It is, of course, impossible to match two stores perfectly, so that there is only one variable between the two. Still, if enough stores are chosen, this is not very serious. There is always the possibility that orders will not be followed by store personnel. Moreover, the experimental method is usually rather expensive. Much can be expected of it, but it does have limitations. The survey will be with us for years to come.

⁶ Ibid., p. 514.

CHAPTER III

RESEARCH BY THE KROGER COMPANY

The purpose of this chapter is to consider the marketing research work done by the Kroger Company. While it is realized that this organization can afford a much larger research budget than most food chains, it is felt that much is to be learned in the way of principles and practice from such a study. Some of the techniques mentioned might well be adopted on a smaller scale by some of the regional and local chains.

The Kroger Company, with 1950 sales of 861 million dollars in over two thousand stores, carries on various forms of marketing research in a number of departments. The budget and statistics department carries on research in the form of sales analysis. The advertising department does copy and media research. The real estate department does research concerned with store fixtures and site selection. The market analysis department conducts research on market trends to determine the proper time to purchase the various staples that Kroger must buy in such prodigious quantities.

Kroger's unique department, the Food Foundation, is concerned with technical research and product research. The Kroger Foundation has established a panel, known as the Homemakers Reference Committee, to obtain consumer reactions to products in which it is interested. This group consists of 750 homemakers who have been carefully selected in line with these three requirements:

1. Representative geographical distribution throughout the territory served by the company. Each county thus has its quota of the membership in proportion to the number of retail outlets operated in that area.

2. High, medium and low income brackets represented in the proportions indicated by the latest available statistics.
3. Distribution of ages within the group corresponding to the latest census figures.⁷

Except for the war period, the panel has been in existence since 1933. It has been used on a wide variety of products and subjects in the course of more than 110 tests. The panel members are so cooperative that a response of better than 80 percent is general.

Although the panel members receive no remuneration, there is little difficulty with members dropping out. In fact, there is always a large waiting list from which to recruit replacements. A high degree of esprit de corps exists within the committee, and the members seem to consider themselves an integral part of the Kroger organization.

Panel members receive two samples of the commodity under study. One sample is a product of known acceptance, while the other is a test sample. There is no means of recognizing the samples since the labels have been removed, and both samples are packed in identical containers. These samples are carefully coded to avoid bias. While both letters and numbers have formerly been used in coding, color codes have now been adopted since they have the advantage of being non-committal and easy to apply rapidly.

The Kroger department which is exclusively concerned with marketing research problems is the merchandising research department. This is the only merchandising research department in the country. This appellation stems from the fact that this department works in very close contact with

⁷ George Garnatz, "But What Do the Consumers Say?" Food Industries, 22:133³⁴, July, 1950.

the various merchandising departments. Its research is almost exclusively restricted to the solution of sales and merchandising problems and, therefore, more narrow in scope than the usual marketing research department.

The merchandising research department is one of four departments under the Director of Sales Promotion, who is, in turn, responsible to the Vice-President of Merchandising. The other three departments under the Director of Sales Promotion are: advertising, sales promotion, and sales planning.

The merchandising research department (hereafter referred to as "the department") clears its findings with the Director of Sales Promotion first and then presents them to top management, i.e. the president and vice-presidents. Once the blessing of top management on the research has been obtained, it is passed on to the division managers (there are five divisions) and later to the branch managers (there are 25 branches). By having the results passed down the chain of command in this manner, the results are put to better use. Were the findings to pass directly from the department to the various branches, some of the branch executives might tend to look with skepticism on something the department had passed on, as being theoretical. But with the sanction of the top sales executives these ideas are more readily accepted by the lower echelons. Frequently the department will send one of its men out to address a meeting of division or branch executives in order to "sell" a certain bit of research.

To prevent the idea that the research is done by a group of theorists who live in an ivory tower, every effort is made to have the research presented in a popular, easily understood form and to outline clearly and

definitely a program of action. In all too many firms marketing research is received with a "Well, that's nice, but what good does it do me?" attitude.

One difficulty in any marketing research operation in a food chain is that good research men usually do not have a very extensive background in the grocery business, and good grocery men usually have a very slight background, if any, in research. This presents no insuperable difficulty, but does necessitate a close degree of coordination between the departments.

In years past almost all the projects of the department were in answer to a specific request from either a branch executive or someone from the general office. At present, however, about 40 percent of the work originates within the department. This trend enables the department to undertake long-range studies.

The research department is different from the other departments of the company in that its benefits are often intangible and long-term. If the department were to be discontinued tomorrow, the stores would go right on operating. The gains realized from constructive research are often not discernible on a profit and loss statement.

One long-range goal of any marketing research department is to gain the confidence of those who are to use the results of the research. Research, per se, has no value; only in being used does it yield a return.

In the course of a study the merchandising research department might find that a certain thing has been done wrong for years. Yet, it must be careful of the manner in which this fact is disclosed. Subtlety is

required in such a situation if the trouble is to be remedied without losing the good will of the person involved. If it were to alienate the merchandisers, the department would have no valid reason for its existence.

When the department is approached to do a study, it tries to determine in advance whether the research will be put into use or will merely gather dust in a file. Some people would prefer to use research only if it happens to substantiate their pre-conceived notions on a subject. This department must act as a brake on illogical schemes and try to see that past research is utilized. It must also resist attempts to rush its work, since good research takes time.

Theoretically, the department could bring about a large gain in sales volume tomorrow. Since it is dealing with fallible humans, however, rather than machines, progress necessarily comes in small steps. Theory must constantly give way to what is possible in view of the condition of the company and its competitive position.

The Kroger Company has done marketing research work for over 25 years. Of course, in its initial stages such a department consisted of only one man. Each year the department performs more and more useful tasks for the company. Its annual file seems to thicken as the years go by. Its staunch position in the company is verified by the fact that, whenever a merchandiser presents a promotional scheme to the operations section of the company, he is usually asked, "Did Research approve this scheme?" A negative reply to this query makes the adoption of the proposal rather unlikely.

The merchandising research department of the Kroger Company consists of ten people, as can be seen from Figure I. These are: the

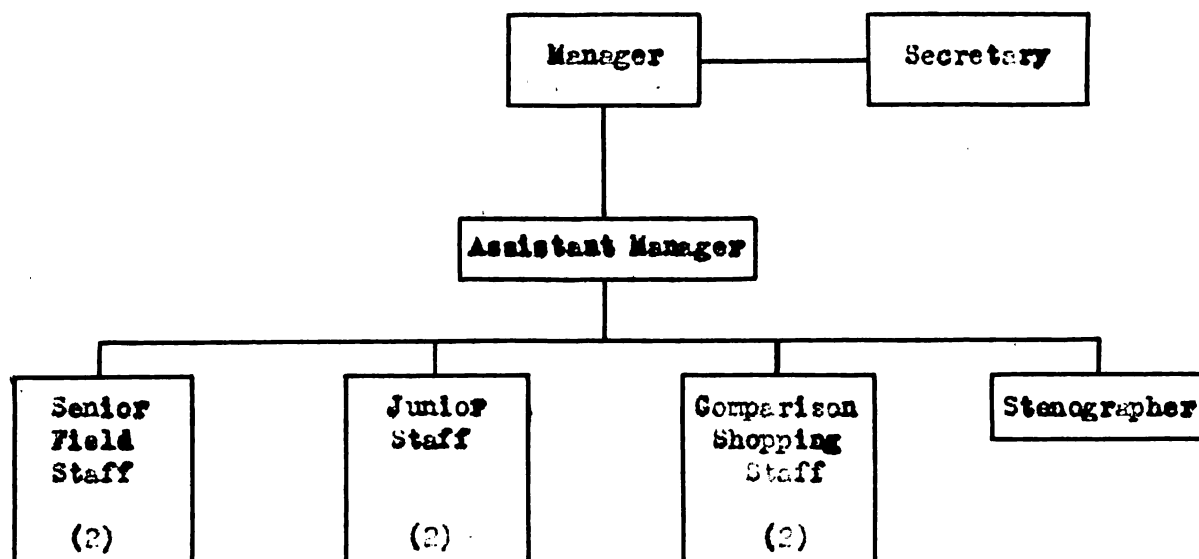


Fig. 1. Organization of Kroger merchandising research department

manager of the department, his secretary, the assistant manager, two senior staff men, two junior staff men, two comparison shoppers (women), and a stenographer. The manager has a background in research with an advertising agency. His predecessor is now with the Office of Price Stabilization in Washington. The comparison shoppers visit each of the company's 25 branches at least once a year and check Kroger prices against from two to four strong local competitors. The Kroger branch is not aware that it is being checked until the check is completed. The department is augmented by local help whenever a number of interviewers are required in a certain locality.

The department tries to do as little routine research as possible. It helps the other departments of the company in setting up research procedures, but once the procedure is established, the routine application of the formula is left up to the department concerned. The real estate

department, for example, may consult the merchandising research department to determine a routine procedure to follow in selecting store sites. The merchandising research department gladly contributes its specialized know-how to the problem at hand, but the approved method is turned over to the real estate department for day-to-day application.

The department is tending away from problems that have only a local application to problems that are company-wide in scope. In line with this, it is turning over to the branches certain functions that it had previously performed.

While the department still checks prices in each branch at least once a year, it strongly encourages the branches to do the routine price checking of competition. The analysis for reasons behind a poor showing in a certain area has, to a great extent, also been turned over to the branches. The department has laid down a pattern to be followed in such cases. Such a pattern includes a comparative price check, customer interviews, check of advertising lineage, check on competitors' volume, et cetera. All this is on the theory that branch personnel are in closer contact with the immediate situation and should be able to come to a correct solution in a shorter time than merchandising research men could because of their unfamiliarity with peculiar local conditions.

The department is ready to cooperate with any legitimate organization in research that will be mutually beneficial. Kroger has conducted research in conjunction with the United States Department of Agriculture on certain marketing problems and with the Coca Cola Company on the best means of beverage merchandising.

The department has recently made an agreement with the A. C. Nielsen Company whereby Kroger stores are available for Nielsen's tabulation in return for which Kroger is furnished the Nielsen Index. The index is of limited value, however, since it is based on national figures, and Kroger is only a sectional chain.

Kroger has a similar arrangement with the Industrial Index, which is similar to the Nielsen Index, but has made an agreement whereby it is able to get sales figures which are broken down geographically. From these, of course, Kroger can get the information for its own territory. Even these figures, however, are of limited value since they represent the average figures. They are of some value in comparing Kroger relative movement on certain commodity groups to see if an average or better than average job is being done. Merchandisers, however, are prone to boast of the items on which they do a superior job, while ignoring those on which they don't fare so well.

The department has its budget just as does every other department in the Kroger Company. Although it may seem difficult to budget anything so uncertain and intangible as research, on the basis of past experience plus a knowledge of the specific jobs that will probably be undertaken in the coming year a rather close estimate can be made. A supplementary budget is available if necessary, but is seldom needed.

There are no standard costs or job accounting systems in operation in the department since all work is done for one client, the Kroger Company. Such systems are only necessary in firms that do work for outside clients and must be able to estimate costs closely in advance. There is no allocation of costs to the departments served.

CHAPTER IV

TYPICAL STUDIES BY THE MERCHANDISING RESEARCH DEPARTMENT

This chapter is concerned with the studies undertaken by the Kroger merchandising research department during 1949 and 1950. The studies have been broken down on the basis of the subject of the report and also on the basis of the research technique used, as can be seen in Table 1.

TABLE 1

RESEARCH PERFORMED AND TECHNIQUES USED BY THE
MERCHANDISING RESEARCH DEPARTMENT OF THE
KROGER COMPANY IN 1949 AND 1950

Subject of Report	Number	Experiment	Survey	Observation	Secondary
Merchandising	20	11	7	3	2
Premiums	17	4	12	1	-
New Line	12	12	-	-	-
Customer					
Attitudes	10	-	8	1	1
Advertising	8	4	1	-	3
Competition	8	-	1	4	3
Promotions	4	4	-	-	-
Technical	2	1	-	1	-
Miscellaneous	1	-	1	-	-
Total	82	36	30	10	9

Of the 82 reports in the two-year period, 35 were completed in 1949 and 47 in 1950. A numerical breakdown as given above is subject to the limitation that some reports represent a much greater amount of research than others. One report, for example, may summarize months of study, while another may summarize the work of only a week or two. Despite this limitation, however, it is felt that the breakdown gives a reasonably accurate conception of the work done by the department.

As can be seen from Table 1, each category has been broken down on the basis of the research technique used. The column headings have all been discussed previously with the exception of the one headed "Secondary." This column refers to the nine reports which were not the result of original research done in the department, but which were based on secondary sources outside the company.

The discussion which follows will describe in some detail each of the types of reports given in Table 1. In some cases the results of research will be mentioned in passing. The main interest, however, is in the problems and research procedures. There is no interest in the answers to problems per se. Results are mentioned only where they serve to clarify the methods of problem solving.

Merchandising Reports

Promotional schemes are geared to get customers into the store, while merchandising is primarily concerned with selling more merchandise to these customers once they are in the store. Promotional efforts, therefore, are measured by increases in customer count, while merchandising efforts are measured by increases in dollar sales.

The controlled experiment technique is the most favored for merchandising studies and is used whenever possible. This type of study was used to determine the effect on produce sales when a certain store was converted to a complete self-service produce department. The complete self-service produce department was compared to the average of four similar produce departments which were not completely self-service. The test

lasted for 24 weeks, and the same time period of the preceding year was used as the base period.

Comparative figures were gathered for the base and test periods for the test and control stores in all three departments. It was reasoned that the relationship between total grocery and meat sales and produce sales should be the same in both groups unless the variable in the test store - the one-hundred percent self-service produce department - caused a significant change.

To see what the produce sales would have been in the test store if it had not been converted to complete self-service, the following calculations were made:

- a = increase in control group grocery and meat sales for the 24-week period,
- b = increase in control group produce sales for test period,
- c = increase in test store grocery and meat sales for 24-week period,
- d = increase in test store produce sales during test period,
- x = increase in test store produce sales if there were no variable between test and control group (i.e. if test store was on service produce basis as control stores were).

a:b::c:x Solve for x. The amount by which d exceeds x is the extra business gained as a result of the variable, a one-hundred percent self-service produce department.

Included in this study were figures on the cost of a complete self-service produce department. The shrinkage was also figured, as was the average produce sale for both groups (customer count divided into produce sales).

Another experimental merchandising study sought to determine whether supplemental displays in general produced a net gain. By net gain was meant the gross profit from the extra merchandise sold minus the labor costs of building, maintaining and removing such displays.

This was a very extensive test. It was conducted in four steps:

- 1) An analysis of the current supplemental display policies and methods of typical Kroger branches;
- 2) An answer to the question, "Do supplemental displays in general usually result in measurable net gains?"
- 3) If not, will specific types usually result in a measurable net gain? If so, what types?
- 4) If not, will specific commodities usually result in a measurable net gain? If so, which commodities?

As part of this comprehensive study, a test of the effect of supplemental displays on six widely varied commodities was conducted. Eight stores of comparable sales volume and store traffic were selected for these tests. The products involved were: Libby Peaches, Kroger Pork and Beans, Kroger Blended Juice, Kroger (three-pound shortening), Kroger Soda Crackers, and Kroger Salad Dressing.

The plan was to have all eight stores run a two-week base period during which time no tested item or like commodity within its group would be on supplemental display. During the next two-week period the above six commodities were put on supplemental display, three each per store. As an illustration, this is the way the program was set up.

"A" Group of Stores

Supplemental Displays
 Libby Peaches
 Kroger Pork and Beans
 Kroger

Remain on Shelf
 Kroger Blended Juice
 Kroger Salad Dressing
 Kroger Soda Crackers

"B" Group of Stores

Supplemental Displays
 Kroger Blended Juice
 Kroger Salad Dressing
 Kroger Soda Crackers

Remain on Shelf
 Libby Peaches
 Kroger Pork and Beans
 Kroger

In this way a test group and control group were set up which could be compared to a common base period during which a relationship was established between stores. Following the two-week test period, all items were returned to normal shelf space, and a post-test period of two weeks was calculated.

Inventories were taken semi-weekly in order to determine exact sales - early week and late week. In addition, a record of store room and shelf stock was maintained.

Sample time studies were conducted in the stores on the days when the supplemental displays were built, so that labor costs could be studied, and it could be determined whether gains exceeded additional costs.

Since the test was to determine whether additional sales were created or whether sales were merely shifted to the displayed item, sales on the total commodity group were figured.

The study showed that there is no unequivocal answer to the question as to whether supplemental displays provide net gains. The study showed that the type of display - end-case, end of float, table, et cetera - was not a governing factor in the success of a display. The test proved that the commodity displayed does determine whether the display will be successful. In other words, certain commodities will produce net gains when a supplemental display is used.⁵ Of the six items displayed, only two caused an increase in the total commodity group. To summarize - mass

⁵ This assumes also a combination of price, seasonability, and similar factors.

displays cannot be expected to produce a net gain on every commodity simply as a result of building the display.

The gross profits resulting from each display were given, and the labor expense of building the displays was also computed. Pictures of the displays and graphs, illustrating the results, helped to clarify the report.

A rather extensive experimental test was conducted by the department in conjunction with the Coca Cola Company on the subject of effective beverage merchandising. The test ran for 15 weeks from July to October. The 29 test stores were located in three different Kroger branches and in the territories of five Coca Cola bottlers. The study tested the effectiveness of the five standard methods of soft drink merchandising in combination. The 15 week test was divided into five periods of three weeks each as follows: 1) shelf display; 2) carton racks added; 3) coin coolers added; 4) mass case displays added; and 5) mass carton display added (mass case displays removed).

The test stores were selected by the merchandising research department. While they were not an exact cross section of all Kroger stores, they were selected to give a representation of all Kroger stores, as to: type of store, size, volume, type of neighborhood, geographical location, and levels of soft drink merchandising.

The last phrase about levels of soft drink merchandising needs explanation. The 16 stores which merchandised primarily from shelf displays progressed through all subsequent test levels for a total of five periods of three weeks each. The 11 stores which already merchandised through

shelf display and carton racks progressed through the coin cooler and mass display levels for a total of four periods. The two stores which already merchandised through a combination of shelf, carton racks, and coin coolers progressed through the mass display levels for a total of three periods. The average of all non-test Kroger stores in test cities was compared with the average of the test stores.

The results were broken down as to: average case sales per week per store; percentage of gross profit on Coca Cola; dollar profit on Coca Cola; and profit per square foot. The test data showed clearly that the three methods of soft drink merchandising - shelf display, carton racks, and coin coolers - are most effective when used in combination.

The report based on the test was quite enthusiastic about the use of coin coolers in stores. The figures from the test on sales volume and profit from a coin cooler were projected on an annual basis and were quite impressive. Various calculations showed how profits would be affected by depreciation on the cost of the machines. The appendix to the report gave the rental, sales and lease policies of various Coca Cola bottlers on these coin coolers.

Other experimental merchandising studies had to do with such things as the use of shelf extenders, displays using "home-tote" bags, supplemental displays on white bread and the use of a cloth bag imprinted with toy cut-outs for Kroger flour.

The sum of the techniques used on merchandising reports does not equal the total, twenty, since some reports were based on a combination of techniques. There were three reports in which a combination of techniques was used. The survey technique was used in all three of these

reports, and it was combined with the experimental method in one and the observational method in the other two.

The survey and experimental techniques were combined in a study on bananas covered with a wax preservative coating. The study consisted of three parts: store sales comparison between regular and wax coated bananas; store interviewing; and home interviewing.

In the stores comparative records were kept of sales, bananas reduced for sale and those discarded for both the regular and test varieties. The natural bananas were placed on one table, while the wax coated bananas were on the adjacent table. Both were offered at the same price, and the specially coated bananas were marked as such.

Women shoppers were asked which type of banana they preferred and the reason for their preference. They were also asked how soon they used the bananas they bought since the wax coating was supposed to preserve the bananas longer. More than 80 percent stated that they used the bananas within three days (counting the first day as the day of purchase).

In the home interviewing part of the study four regular bananas and four wax coated bananas were delivered to 209 homes of varying incomes in Cleveland. The two kinds of bananas were marked "O" and "T", and the respondents were asked to state their preference by letter to avoid bias. A few days later, interviewers returned to the homes where the bananas had been left and asked which type of banana was preferred as to: color, keeping quality, firmness and taste. They were also asked their over-all preference.

A report that was based on both the survey and observational techniques had to do with customer acceptance of the uniform one-pound Kroger

seafood package. Something new in this test was the use of a moving picture camera to record on film customer actions when shopping for seafood. Personal observations supplemented these pictures, and the women were interviewed when they left the seafood counter. The camera was situated so that it could not be seen by shoppers. The women were asked the following questions: 1) Are you a regular Kroger seafood customer?; 2) Did you intend to buy seafood when you came into the store?; 3) Did you find the type of seafood you wanted?; 4) Did you have any trouble finding the type of seafood you wanted in our seafood case?

A study that combined the same two techniques was conducted to determine why bread sales in the Kroger Memphis branch were falling off. First of all, Kroger store personnel were interviewed to get their opinions on Kroger Bread. After talking to store personnel, it was decided to analyze bread sales before and after bread delivery in relation to customer traffic as recorded on cash registers. It was also decided to interview women in Kroger stores to get their opinions on Kroger Bread.

The study showed that bread deliveries varied from 10:30 A.M. to 3:30 P.M. The uncertainty of delivery caused many stores to be out of bread for a considerable time before delivery. The merchandising research department estimated that this out-of-stock time averaged at least thirty minutes a day. Estimated movement for this time was five loaves per store. Store personnel thought that the psychological factor of women's thinking that Kroger Bread was day-old until the afternoon delivery came was a big factor in retarding bread sales. To check this, bread sales were clocked in relation to the number of transactions both before and after delivery. Only those instances where stores were in-stock until

delivery were included. It was found that bread sales were poorer in the "before" delivery picture (14.5 percent) than in the "after" delivery picture (21.1 percent) i.e. the number of loaves sold in relation to cash register transactions. Thus the estimated loss of three loaves per day per store was due to this condition. Correction of these two factors, it was estimated, would increase bread tonnage by 9 percent.

Of the 483 women interviewed in Kroger stores, only 6 percent preferred Kroger Bread to other breads, while 77 percent preferred competitive bread.

One of the surveys used for merchandising reports had to do with purchasing habits on certain fruits and vegetables. Questionnaires were mailed to the 750 members of the Food Foundation's homemakers' panel.⁹ The questionnaire contained a list of 35 fruits and vegetables, and the women were asked to check each item as to whether it was purchased often, sometimes, rarely or never. The information thus obtained was valuable to produce merchandisers in determining relative popularity of various items.

Before the Kroger manufacturing division decided to package the one-pound box of Kroger Crackers in four individually wrapped cellophane units, a survey was conducted to determine customer acceptance of this type of packaging. The survey showed that 76 percent of the women interviewed preferred that type of packaging. The packaging method was then adopted with considerable success.

To determine the uniformity or lack of it among various Kroger branches on the subject of supplemental displays, the department surveyed

9 See page 14.

seven branches on the subject. The opinions of store managers, district managers, and merchandisers were included in the survey.

A report which was a by-product of other studies considered the ratios of shelf stock to sales on tomato juice, peas, gelatine and pork and beans. The data was based on nine metropolitan stores. The report covered: average shelf stock as a percentage of weekly sales for each commodity group; range of this percentage for each brand; shelf stock of Kroger label merchandise as percentage of weekly sales; and a comparison of the percentages of Kroger label sales and shelf stock. The item which was most out of line was Kroger gelatine in which the shelf stock was 502 percent of the average week's sales.

Of the two secondary or outside reports that had to do with merchandising, one was the latest Du Pont study on transparent packaging and impulse purchases, while the other gave Department of Agriculture figures on home gardens and the various items grown therein. The latter report helped the merchandisers to estimate the market for seeds, while it also gave the produce merchandisers some idea of the produce items which would have the greatest summer slump as a result of home gardens.

Premium Reports

A premium report tries to estimate the customer response which any proposed premium will elicit. There were four premium reports based on the experimental technique. A group of test and control stores were set up, and the extra sales due to the influence of the premium offered in the store were determined by subtracting the variation in the control group from the variation in the test group. These four tests had to do

with the following subjects: effect of a salad tongs premium on tube tomato tonnage; effect of a cigarette lighter premium on carton cigarette sales; effect of plastic straws banded onto iced tea packages; and effect on iced tea sales of a premium of personalized iced tea spoons, napkins, and coasters.

Of the 17 premium reports, 12 used the mail survey technique. A number of proposed premiums was broken down into pairs of two, and a form printed which described and pictured each of the two. A coupon was attached to this form which the recipient was asked to return if either of the premiums was desired. A nominal sum was charged for the premiums. About four hundred of these forms were sent to people who had previously written for Kroger premiums which were publicly offered. This was done to secure a receptive audience and thus increase the percentage of returns.

The purpose of these surveys was not to discover the absolute pulling power of the premiums, but the relative popularity of the two. By process of elimination, a number of potential premiums was finally narrowed until only one remained. These premiums are usually used to promote the sale of one of the Kroger coffees. The process of pre-selection has done much to increase the returns for premiums that Kroger has offered the public. One test on premiums was conducted by means of coupon analysis. Inexpensive jewelry was used as a premium to promote Kroger coffees. A different post office box number was given in the comic section ads, rotogravure section, on the radio and on the coffee bags themselves. By tabulating the returns to each box number, some idea of the return from each medium was obtained. Since each brand and size of Kroger coffee was coded

differently and a coupon from the coffee had to accompany each request, these coupons were analyzed by brand and size. By comparing these figures with the figures on warehouse movement of the respective brands during the offer, it was determined which brand of coffee was being purchased to get the premium.

New Line Reports

Of the twelve reports on the subject of adopting new lines, four were concerned with frozen meats, three with a housewares section, and the others with magazines, children's books, cellophane-wrapped towel sets, and a baby needs section. The experimental technique was used in all of these tests. These items were placed on sale in selected test stores and the sales results of each item in the group were determined. By carefully determining customer acceptance of new products in this manner before extending them to Kroger's two thousand stores, costly errors can often be prevented.

Since all these tests follow the same general pattern, the frozen meats tests is a good example. Because a low-temperature case is required for frozen meats, these results were compared with sales results for frozen fruits and vegetables which need the same type of case. This particular test lasted for quite a while, so progress reports were submitted frequently. Sales for each item, total sales, sales per linear foot, and markup dollars were all calculated. The ratio of frozen meat sales to every hundred dollars of total store sales was also considered significant. It is standard procedure for photographs of the store display of the new line to be submitted in the body of the report. This type of presentation makes the whole study more easily grasped by busy executives.

Customer Attitudes Reports

Of the reports on customer attitudes and habits, eight were based on surveys. Six of the eight were the immediate results of surveys conducted with specific local problems in mind, while two of these reports were not based on specific surveys, but gave over-all conclusions on cross-shopping that had been compiled as a by-product of a number of other surveys.

Of the six surveys used to solve local problems, one was conducted within Kroger stores, while the other five consisted of interviews made in areas adjacent to Kroger stores.

The survey conducted within Kroger stores was made in eight representative Kroger stores in Cincinnati. During one week 9,533 interviews were made in these eight stores. This was approximately one-third of the total number of shoppers in these stores during one week.

This survey, being confined to Kroger stores, was to find out certain facts about Kroger customers. These were: 1) how far customers live from store; 2) how often they shop at that particular store; 3) whether they shop at any other Kroger store; 4) means of reaching the store; 5) departmental purchases and total sale.

Four of the surveys made outside the stores were made by personal interview, while one was made by telephone. Typical of these personal interviews made outside the store is the questionnaire shown in Figure 2, which was used in a survey in the Cincinnati area. While this questionnaire is not very long, it does reveal a number of pertinent facts about shopping habits in the area and about the competitive position of various chains and independents. Various breakdowns can reveal the strengths and

"Good morning - We're making a national food buying survey, and I'd like you to help answer a few simple questions. It will take only a minute."

1. Do you buy most of the food for your family? Yes____ No____
(If "No", discontinue the interview.)

2. How many people do you buy food for? _____

3. Where do you usually buy most of your:

Fresh fruits and
vegetables

Meats

Staple
groceries

a. Store name

b. Address

c. How far

d. Why

4. Do you sometimes () use a written shopping list?
usually ()
always ()
never ()

5. Which of the following stores: (Check list of Kroger, A & P and various other competitors)

a. Have you shopped in?

b. Has friendliest clerks?

c. Is best looking store?

6. Which store has:

Fresh fruits and
vegetables

Meats

Staple
groceries

a. Lowest prices

b. Best quality

c. Largest variety

Classification:

Name

Address

Estimated Age

Interviewer

Fig. 2. Questionnaire used in Cincinnati survey

weaknesses of each department. The information unearthed by such a survey is often quite surprising to branch personnel.

The usual number of interviews made in this type of local survey is about 125, although 355 were made in one case. Since such studies are rather routine, the merchandising research department has turned much of this type of operation over to the various branches.

These surveys are usually resorted to when the Kroger position in a certain area is not as strong as it is felt that it should be. Of course, in the house-to-house interviews Kroger is never identified as the sponsor of the survey, lest bias be introduced.

The survey in which telephone interviews were used was just one part of a very extensive study that was made of the Kroger position in a specific town of about 125,000 people. The Kroger operation in this town was below par, despite the fact that the physical setup was capable of doing a maximum job. The task of the merchandising research department was to make a thorough study of the situation in the town, analyzing reasons behind the poor Kroger showing, and to make recommendations for improving the competitive position.

A four-point study of the problem was made. Firstly, general office and branch personnel were questioned to get their thinking on the problem. Secondly, a thorough study of the market and the Kroger position was made by on-the-spot observation and probing. Thirdly, the actual dollar volume of purchases by a number of women in this town was measured - where, when, and by whom. Fourthly, women in this town were interviewed and asked their opinions as to the relative merits of Kroger and its competitors.

The report gave all the basic data about the town: geographical, industrial, ethnological, and population facts. In addition, a historical summary of the Kroger position in the town was given. The total number of food stores, broken down as to independent and each specific chain, was also given.

The historical position of Kroger in this town was not favorable. There had been a strong anti-chain feeling in the town during the 30's, and Kroger had had an inferior physical plant. Kroger left the town entirely in 1940. Kroger returned to the town in 1946 and began building new stores, and at the time of the study had five modern stores.

Telephone interviewing was used in this survey so that a large number of interviews could be obtained quickly and at a relatively low cost. A further advantage in the use of the telephone was its ability to spread the interviews in various sections of the city. Four interviews each were made with 550 women over an eight-day period. 3,314 shopping trips and a total expenditure of \$10,401.28 were involved. Names of respondents were picked at random from the city telephone directory.

The study showed that only 17 percent of the women had been in a Kroger store in a typical week, while 58 percent hadn't been in recently and 25 percent had never been in. Sales were broken down by each store, and revealed that Kroger had only seven percent of the business, while the independents had 50 percent, and three other chains split 43 percent of the business. The purchases were broken down into departments, and each chain was compared on this basis. The average sale per visit, means of reaching the store, and type of shopper (i.e. man, woman, couple, child) were also revealed from a breakdown of this information.

A detailed breakdown of the reasons for shopping in a certain store showed the customers put major emphasis on price and products, on which Kroger had the poorest rating. Kroger's strongest rating was on appearance. The fact that the other chains did a better sales job than Kroger seemed to indicate that Kroger's emphasis was in the wrong place.

When the respondents were asked to compare Kroger with one or more of the other chains, 75 percent of the women rated Kroger as good as or better than the other chains. Yet, only 17 percent of the women shopped at Kroger during the study. Habit, then, was probably a strong factor that Kroger had to overcome in gaining customers.

The various reasons for shopping each specific store were broken down by store. The respondents were also asked at the end of the test why they didn't shop at Kroger stores. These replies were broken down by section of town and by reason. Reasons for meat patronage were also determined in the survey. Various other breakdowns and factors included the following: percentage of respondents having home delivery for: milk, baked goods, and produce; percentage having frozen food lockers; ratio of home owners and auto owners; percentage having food store charge accounts; percentage making use of grocery store delivery; size of family.

For additional light on the problem, prices of competitors were checked against Kroger prices. Kroger prices were definitely in line at the time of this study, being about equal to the lowest priced competitor. However, eight months prior to this time a price study showed Kroger compared poorly with its competitors on price. Although Kroger had improved its price position in the eight-month period, it seemed likely that many

customers had decided that Kroger was a bit high on prices eight months before and hadn't been back to find out that the price had been changed.

To round out the study, a comparison was made of Kroger advertising and competitors' advertising. An analysis of newspaper lineage for 1949, month by month, showed that Kroger was fourth among the four chains in lineage, and fourth in readership. Readership on the previous week's advertisement was checked and women were asked to express opinions as to which chain had the best buys. Only 6 percent thought Kroger had the best buys.

Since Kroger used radio advertising in this area, a study of radio listening habits was also made. Of the four stations available for afternoon listening, the station carrying Kroger programs rated fourth in listening. It was also determined that only about 2 percent of the women in this town were listeners to the Kroger radio show.

The general theme of the conclusions to this report was that, although Kroger had some bad points in this town, there was no predominance of things wrong with Kroger. There was simply a lack of things different about Kroger which would convince women to break their long established shopping habits and come to Kroger stores.

In the period of time since this report was submitted, Kroger has made a considerably better showing in this city. Although it would be presumptuous to attribute all of this increase to the activities of the merchandising research department, the focusing of attention on weak points and better appreciation of the over-all problems by branch personnel which resulted from this study were important factors in the improved showing.

As was mentioned earlier in this section, two of the reports on customer attitudes and shopping habits were not based on specific surveys, but had been compiled as a by-product of a number of other surveys. The first of these studies gave a broad report on targets for increased sales. Women shoppers, the report said, fell into three groups: those who buy almost all their groceries at Kroger; those who buy some at Kroger and some with competitors; those who buy none of their food needs from Kroger. Means of selling to each of these three groups were suggested.

While this report was rather general, it did a good job of analyzing the problem and stating it in clear, sharp terms. In the day-to-day problems of the business, the over-all perspective can easily be overlooked, but such a report helps to keep the major considerations in mind. The second of these two reports was quite similar to the one just mentioned since it treated means of combating cross-shopping.

Although routine sales analysis is outside the scope of this department, occasionally it does do this type of work. One such report presented trends in customer count and average sale for the various periods of the year. This report broke down each of the company's five divisions and 25 branches into sales per store per week and average sale per transaction.

The secondary report on customer attitudes and habits was a reprint of a speech given at a trade convention on the subject of female customer psychology. There was a great deal of "food for thought" in the speech and it was widely circulated throughout the company.

Advertising Reports

The advertising report based on a survey was conducted in Detroit to determine whether the prominent featuring of the Betty Crocker name at the top of the weekly Kroger advertisement got a higher readership than normally could be expected. The survey was made on the day after the advertisement appeared in the Detroit News. The interviews were spread over various parts of the city, and each area surveyed was available to a Kroger store and at least two competitors. A total of 908 women were interviewed.

Past studies had indicated that a larger percentage of a store's regular customers would read its advertisements than would non-customers. The question of this test was whether or not the women who did not ordinarily shop at Kroger read this advertisement, featuring the national brand tie-in, and to what extent. In order to be sure that all the respondents were not Kroger shoppers, each was asked the store where she bought most of her meat, groceries, and produce.

The respondents were shown actual copies of the newspaper. The housewives were asked to go through the paper, if they had read it, and indicate which advertisements they had read, and which parts of the food store advertising they recalled reading. Of the women interviewed, 337 (37.1 percent) said they had seen the paper. Since this number was the maximum readership, the percentages given were expressed as the ratio of readers of the advertisements to readers of the paper.

This particular edition of the paper contained six full-page food store advertisements. Each of these was divided into nine sections, and

the respondent was asked which sections had been read. Thus, for total reader-impressions the number of sections in each advertisement (nine) times the number of readers of the paper (337) gave a total of 3,033 possible maximum reader-impressions, which would be the one-hundred percent figure. This sectional breakdown of readership is usually not available for grocery price advertising.

The figures were broken down to reveal cross-readership, i.e. the number of Kroger shoppers reading A & P advertising, the number of Grigley shoppers reading Kroger advertising, et cetera. The test showed a much higher percentage of competitors' shoppers reading this Kroger advertisement than vice versa.

The average readership for the six full-page advertisements was 36 percent, while the Kroger advertisement had the highest readership - 49 percent. Kroger also had a more thorough reading by sections than any of the other advertisements. Similar tests in Chicago verified the results of this test, indicating the attention - getting value of a national brand.

A very extensive experimental test was conducted to determine various facts about the effectiveness of Kroger's radio advertising. The test was designed to answer two questions: 1) Can the sale of eggs be increased by advertising them on a serial drama without the loss of sales on bread, the previously advertised item?; and 2) Will the use of spot radio (individual promotions of a variety of products) be more effective than a long-term serial drama program (promoting permanently a single product)?

The test lasted one year and covered four branches. The test was actually conducted in two phases. One was in the Madison and Grand Rapids

branches where the "Mary Foster" show (advertising Kroger Bread) was canceled and spot announcements were substituted; the other was in the Charleston and Memphis branches where the "Mary Foster" show was continued, but egg commercials replaced the bread commercials.

The test group of stores consisted of those exposed to radio (whether it be serial drama or spot announcements), and the control group consisted of those stores not exposed to radio stations that carried the "Mary Foster" show. The selection of stores in each group was made on the basis of the degree of penetration enjoyed by the station carrying the program in question, the test stores being those in counties with the greatest degree of station listening, and the control stores being those in counties with little or no station listening. The criterion on which the test and control stores were selected was the Kroger Radio Survey which reports by county the relative position of the various stations in respect to other stations in amount of listening.

For each of the items advertised there was the problem of determining the effect of this advertising on the sales of the advertised product in the two groups of stores (test and control) before, during, and after the promotion.

Because radio station coverage patterns do not follow the Kroger branch area limits, not all the stores in the four test branches were exposed to the test advertising. Therefore, there were no inter-branch comparisons. Store displays were uniform throughout each branch, and so would not be an added variable which would affect either the test or control group. Sales plans and newspaper advertising were also uniform throughout each specific branch, so there was no variable in that respect.

The spot radio test, conducted in two northern branches, called for canceling the bread show and substituting twenty spot announcements a week over the station that formerly carried the bread show. Each of the specific items was featured in spot announcements for a period of either two or four weeks. The items thus advertised were: Kroger Peas, Kroger Corn, Kroger Fruit Cocktail, Kroger Peaches and Kroger Fruit Cake.

As previous studies had shown that competitive brands often lose sales to the advertised brand, sales for competitive brands were obtained for similar periods. This showed whether sales were merely shifted from one brand to the advertised brand or whether additional sales were stimulated.

Since the Kroger station in Memphis had some degree of coverage in each county in which Kroger operates in that branch, the criterion for determining test and control stores was the degree of county coverage by this station. The test group was composed of sixty stores in counties in which this station had the greatest degree of penetration, and the control group was composed of 26 stores in counties in which the station had little or no coverage. Neither of the groups were exposed to any coverage from other stations carrying the "Mary Foster" bread advertising. Egg advertising was the only apparent variable between the two groups. The corresponding periods of the previous year were used as bases for comparing bread and egg tonnage. The same procedure was used in the Charleston test.

Included in the final report were data:

- 1) showing the relative effect on bread sales when radio serial advertising is removed.

- 2) concerning spot advertising:
 - a. the effectiveness of a two-week program versus a four-week program of spots.
 - b. relative effect of spot announcements on total dollar store sales.
- 3) concerning serial drama advertising:
 - a. the relative effect of serial drama carrying egg advertising on total dollar sales.
- 4) important in the application of the most effective type of radio merchandising.
 - a. relative effectiveness of various products.
 - b. relative effect on the product group from advertising one product. (Kroger Peas advertised - effect on competitive peas).
 - c. relative effect on another product from advertising related product. (Kroger Peas advertised - effect on Kroger Corn).

In order to measure accurately the effectiveness of the advertising, a statistical approach was required. The first computation was one that removed the store-size variable. By computing a ratio (test sales divided by base sales), the relative increase or decrease for each store was seen. Thus, the magnitude of sales was not a confounding factor. In comparing the ratios of increase or decrease, the main concern was to determine whether the column effect (variations of increases and decreases of stores within each group - test and control) would be the same in each of the columns (the same inter-action in both groups). If significant inter-actions (more increases or decreases in one of the groups than in the other) were found, and if it were of the nature of a sales increase in the test stores, the increase due to advertising could be estimated.

The three secondary reports that were concerned with advertising were reports on the ratings of Kroger advertising by the various national services, Nielsen for television ratings and Starch readership ratings for

Kroger newspaper advertising. Such highly technical and costly services as these are best performed by national syndicates, since the merchandising research department of the Kroger Company is not equipped technically or financially, to carry out such operations.

Reports on Competition

Since the grocery business is one of the most competitive in America, it is highly important to know what competitors are doing at all times. One report on competition was a survey of Kroger branches to find out whether various local competitors had adopted one-half cent keys on cash registers. Each branch was also asked whether it thought that Kroger would gain an advantage over competition by using such keys.

An important report on competition is the annual company wide price check. In each of the company's 25 branches, from two to four local competitors are checked for prices. A rather large number of items are checked for price comparison. Each branch is itemized separately by each local competitor, and the number of items in each commodity group is listed according to whether the Kroger price is the same as, higher than, or lower than competition.

Two reports were based on the sensational Levey Super Market at Anderson, Indiana. The first report covered the opening of the store. It gave an account of the promotional activities that accompanied the opening and commented on the departments and fixtures. Pictures were included in the report. The second report was one year later and described the changes that had taken place in the interim. It was also

accompanied by a price check of the store as compared to the Kroger store in Anderson.

The first of the secondary reports on the subject of competition gave the results of the biennial survey by This Week magazine on the various leading food chains. This survey affords a good yardstick by which to measure results since various significant breakdowns are made in this report. The number of stores, percentage of self-service stores, sales per store, number of cities and counties in which the chain operates, percentage of total food business each chain has in these counties, departmental breakdown of total store sales, and advertising expenditures are all listed in this report. The second such report gave the results of data compiled by Food Topics magazine on all combination grocery sales, both chain and independent, with interpretations.

The third secondary report on the subject of competition was something of a magnum opus. This very comprehensive report was based on bakery merchandising. The exhaustive thoroughness of the report is in itself a good argument for a separate full-time research department since it is rather unlikely that a line executive would either have the time or take the time to undertake a project of this nature. Although the data were all obtained outside the research department of the Kroger Company, it had to be gleaned from a number of different sources, and all the information was focused so as to help solve problems particular to Kroger.

The question of how far Kroger should go in its bakery operations (self-service, semi-self-service, or complete service) was a matter of some controversy. To add some light to the problem, the merchandising research

department determined what other firms had done and also laid down some basic factors on successful bakery merchandising.

In addition to a statement of the problem this report contained four main sections. The first gave a general summary on the field; the second, basic data on the baking field; the third, the various types of super market bakery operations; and the fourth, case studies of what competitors had done.

The general summary section listed the location of the department, merchandising techniques, effect on other sales, types of display and fixtures, personnel facts and customer buying habits.

The next section gave a review of the industry in the preceding year, listing dollar sales, profit figures, et cetera. Also included were the proposed plans of wholesale bakers, facts on the labor market, retail bakers' production plans, average sale per shopper, and type of outlet in which baked goods were bought.

The third section took up the types of chain store super market bakery installations. Included therein were the following: chain-operated bakeries; leased concession; sale of outside bakery's merchandise; service versus self-service; factor of visibility; advantages of wall location; personnel; and duties of a salesperson in a service department.

The fourth section listed case studies of ten of the leading chains in the merchandising of baked goods and described the nature of their operations. An appendix listed pertinent facts about home baking habits.

The preceding report and the other secondary reports serve to point out that Kroger's merchandising research department is constantly perusing

the trade press and related publications for things which it can pass along to interested executives. The functions of this department fall into two categories. It is, first of all, a department that analyzes and interprets marketing information in terms of proposed decisions or actions. This requires the use of one of the three techniques of gathering primary data or the use of secondary sources. In addition to this, it is a source of factual information in the reference library sense. It gives fast answers to spot questions from existing materials in either published sources or company records. Actually, this department has a vast fund of unassimilated information which has been gathered as a by-product of other investigations. This vast fund probably contains high-grade ore which can be profitably mined in the future as the need arises.

Reports on Promotions

As was stated previously, the promotions attempt to boost store traffic. One such promotional test concerned an attempt to boost Kroger sales in a town where sales were rather low by distributing books with five dollars' worth of varied coupons, redeemable only at Kroger stores in this town. Stores in two nearby towns, similar in industrial and ethnological characteristics, were used in the control group. The stores in the control group were also similar to the test stores in both dollar sales and customer count.

The post-test period was quite important in this test since the objective was to accomplish a sales increase on a permanent basis. The total value of coupons redeemed was \$4,587.75. The test stores enjoyed

an increase in store traffic, both during and after the test, while the control group had a loss in store traffic during the same periods.

The cost of the test was figured as follows:

Coupons (production and distribution)	\$3,600
Display Material	207
Coupon Redemption	<u>4,500</u>
Total Cost	\$8,607
Less - Net Amount Recaptured ¹⁰	<u>4,500</u>
Balance yet to recapture	\$4,107

On this basis it took a 5.1 percent sales increase for the test group of stores over a twenty-week period to write off the balance. This was figured on the basis that a 5.1 percent sales increase per week would give \$211 markup dollars per week. This experiment is a good example of how marketing research can carefully estimate the benefit of a promotional scheme.

A similar promotional experiment was conducted to see the effect on store traffic and total store sales by offering a perfume value, said to be worth \$3.50, for ten cents. Four test stores were used in the town, while five control stores were located in towns far enough away to be unaffected by the newspaper advertising announcing the sale of the perfume. A separate advertisement was used to announce the sale of the perfume, and it was limited to one to a customer. Mass displays of approximately seven-hundred bottles of perfume were set up in high traffic locations in each of the four test stores. A base period of five weeks, immediately preceding the test, was calculated.

¹⁰ This was the profit on the extra sales, figured at the usual branch markup.

During the week of the perfume offer, the dollar volume of the test stores increased 2.3 percent over the base period, while the control stores increased 0.2 percent during the same period, a net gain of 2.1 percent. The customer count in the test stores during the week of the offer increased 4.2 percent over the base, while the control group decreased 0.4 percent during the same period. Similar results were evident during the post-test period - evidence that a permanent increase had been gained.

Technical Reports

The two technical tests enter more into the realm of science than the usual work by the department. One test was to determine whether covering a refrigerated produce rack at night would keep the produce in better shape than leaving the rack uncovered. This test was conducted jointly by the merchandising research department, the Kroger Food Foundation and the Hussman Refrigeration Company. Temperature control and relative humidity were two factors that entered into the final decision.

The second test had to do with cost and profit figures for a self-service meat case. Time and motion studies were conducted in this test. The cost per pound of meat and cost per package wrapped were figured for both materials and labor. The profit per man-hour was also calculated. Technical research of this type is a bit out of the usual work of the merchandising research department, and usually comes within the scope of the Food Foundation or the merchandising department concerned.

Miscellaneous

The miscellaneous report was the result of a survey among store

personnel to determine employee readership of public relations folders which had been issued by the company. Only persons who had been with the company for more than three months were interviewed. This was to make certain that they had been issued the folders. Photostatic copies of the folders were shown to each respondent. Each was asked: 1) if he had received the folder; 2) if he had read it; 3) if he remembered the contents; and 4) his opinion on whether or not the folders were worthwhile and should be continued.

Panel Operation

A very ambitious project now being carried on by the merchandising research department is a consumer panel, consisting of about nine-hundred families in St. Louis, Dayton, and Atlanta. These three cities were chosen to give different geographical locations and on the basis of the number of Kroger stores in the area. The panel was set up so that there would be two groups in each town - owners of television sets (the test group) and those who did not have sets (the control group).

The purpose of the test is to determine the effect, if any, which the Kroger television show, "The Alan Young Show," will have on the food purchasing habits of television set owners. A four-week base period was conducted during August of 1950 before the Kroger show went on the air.

To provide for those, subsequent to the initial interview, who bought television sets, a few more non-television set owners were selected. The nine-hundred initial members of the panel was a figure set high enough to allow for the calculated number of drop-outs. As can be seen from Figure 3, the initial questionnaire was constructed so that any doubtful persons

would be discouraged from joining the panel. The attempt was to eliminate most of the potential drop-outs before the panel was finally established.

A number of applied psychological points can be seen in the questionnaire in Figure 3. First of all, the respondent was shown just how easy it is to fill out one of the sample report forms. Then the french fry cutter was given to make the person feel indebted and more willing to continue. The prospect of future gifts was held out as an incentive to the respondent.

A form of the area system of gathering a sample was used, i.e. the interviewer did not have the ultimate choice as to the respondent. This keeps down bias. The interviewer was told to go to a certain specified intersection and start walking in a certain direction along a certain side of the street. The interviewer was allowed to start at the first home, but if a respondent agreed to cooperate in the panel, the interviewer had to skip the next three homes before interviewing another woman.

This was preferred to the quota system of sampling in which the sample is constructed so that the significant elements in the total population exist in the sample in the same proportion as in the total population being studied. The usual difficulty with the quota system of sampling is that fact that up-to-date statistics on certain areas are seldom available.

Five ranges for income were given, rather than the more usual three. Experience has shown that with three groups the middle group is disproportionately heavy, but with five groups a more normal distribution is obtained.

"Good Morning (Afternoon),"

"We're making a food shopping survey here in _____ and I'd like to have you help us. It will take only a couple minutes of your time and will be very useful to us."

"Do you do most of the food buying for your family?"
(If NO, thank her and discontinue the interview.)

"Have you bought any food today? (yesterday?) last weekend?"

"Would you mind helping me fill out this information about that food shopping trip?"

NOTE: Let the respondent see you write in all the facts about her most recent trip. Then say,

"We certainly would appreciate it if you'd help us with this information for all the food-buying trips you and your family make during the week. You saw how little time it took to mark this one - even though it was your first time. Now that you're used to it, they will be easier and quicker. We'd like you to fill in this information and then mail it to us each week - and we'll send you a prize for every four lists you return. Of course, we'll take care of the postage. All you have to do is fill in the information like we did just now - then return it to us. You don't even have to write on the envelope; it will already have our address printed on it. The gift will also be sent by mail - and you'll receive one for every four lists you mark and return."

NOTE: If the respondent does not want to cooperate, thank her and discontinue the interview. Please remember that this is a panel; and if she seems hesitant, she probably would drop out anyway. Finish interviews only with those housewives whom you feel will continue to send in weekly reports. Then give french fry cutter to those interested.

If she agrees to cooperate, say:

"We need a little more information about your food and meals:

(1) To how many people do you serve meals?

Total people _____
Children under 12 _____
Adults _____

Fig 3. Questionnaire for setting up panel

- (2) Where do you usually buy most of your:

	STORE:	ADDRESS:
Fresh Meats	_____	_____
Fruits and Vegetables	_____	_____
Groceries	_____	_____

- (3) Is there any special reason why you buy most of your groceries at (above store)? _____

"For the first gift - the one you receive after you return four weekly reports, you may have your choice of this set of kitchen brushes or this colorful sugar and creamer set. We'll mail you whichever you want - as soon as we get your fourth return. Which one do you want us to send?"

Kitchen Brushes ()
Sugar & Creamer ()

"To what address should we mail it?"

NAME _____ ADDRESS _____
CITY, ZONE _____ PHONE _____

"There are a couple other things we need some information on!

- (4) Thinking of everyone in your family, about how many food-buying trips are made in a week? _____

How many of these trips are made by walking to the store? _____

How many by driving the car? _____

How many by bus or other public transportation? _____

- (5) What brand of milk do you usually buy? _____
What other brands of milk do you sometimes buy? _____

- (6) What brand of bread do you usually buy? _____
What other brands of bread do you sometimes buy? _____

Do you have bread and pastries delivered to your home? Yes ()
No () If YES, about how much is your weekly bakery bill? _____

- (7) Including your milk and bakery expenses, about how much does your family spend for food in an average week? _____

- (8) What brand of coffee do you usually buy? _____
What other brands of coffee do you sometimes buy? _____

Fig. 3. Questionnaire for setting up panel (continued)

- (9) Do you get a daily newspaper? Yes () No ()
If YES, which paper? _____
- (10) Do you personally read grocery ads in the newspaper?
Never () Sometimes () Usually () Always ()
- (11) Whose grocery ad do you read most often? _____
- (12) What other grocery ads do you sometimes read?

- (13) Do you have a radio? Yes () No ()
If YES, during the daytime which do you listen to most often?
Daytime Quiz shows _____ Serials _____
- (14) Do you have a television set? Yes () No ()
If YES, how many months have you had it? _____
Which is your favorite of the regular TV shows? _____

"Thanks for helping us with these questions; the information will be very useful."

Estimated Income: (H1) 1 2 3 4 5 (Lo) Date _____
Estimated Age: _____ Interviewer _____

Fig. 3. Questionnaire for setting up panel (continued)

The supervisors who set up the panels in the three towns remained in these towns for a period of three weeks after the members started reporting. They checked the reports sent in and, where there were errors, helped the members to fill out the forms correctly.

The second page of the initial interview form contained a vast fund of pertinent data about the members of the panel. This data, when supplemented by other reports, gives a good idea of the food purchasing habits of these women.

The weekly reporting form which is shown in Figure 4 is quite simple to fill out. It lists when, where, who, what, and how much food was bought. The checklist under the what section makes the process very simple. This form is sent to a post office box number which has no apparent connection with the Kroger Company.

A form was later submitted to the panel members on their television listening habits. The members were asked to state their favorite television program. In addition, a checklist of twelve television shows available in the area, including the Kroger-sponsored program, was given the panel members. They were asked to give the number of times during the past two weeks that each of the listed programs was seen. Television shows that are sponsored by food chains operating in the area are always included in the checklist.

For every four weekly reports sent in, the members of the panel receive an inexpensive gift. Friendly, chatty letters always accompany these gifts. These techniques help to reduce the number of drop-outs.

Members of the merchandising research department have contacted those panel members who have been negligent in submitting weekly reports.



FOOD STORE TRIPS

FOR WEEK BEGINNING, MONDAY.

[illegible]

AT THE END OF THE WEEK (PREFERRABLY SUNDAY),
JUST FOLD, SEAL, & MAIL. NO POSTAGE NEEDED.

NAME: _____

ADDRESS: _____

TEL. #: _____

Fig. 4. Panel weekly reporting form

The usual result of such action is that the member resumes the reporting.

In addition to those excellent reporters who remain in the panel for the entire test period, there will be others who report for the base period and part of the test and then drop. There will also be some who report for the base and intermittent periods during the operation of the panel. Although these two groups may leave something to be desired as to the number of reports submitted, still those reports which they did submit are perfectly valid and legitimate conclusions can be drawn therefrom.

In addition to the primary information on the effect of Kroger television advertising on customers, a vast fund of other information on food shopping habits in general will result from this project. This valuable information, obtained as a by-product, should be of considerable value in the future work of the merchandising research department as it analyzes and interprets the data of the field of food distribution so that the Kroger Company can operate more efficiently and thus, in turn, enable its customers to "Live Better For Less."

CHAPTER V

STOP & SHOP, INCORPORATED

One of the most ardent advocates of marketing research in the food chain field is Stop & Shop, Incorporated of Boston, Massachusetts.¹¹ This company operates 85 stores that did a volume of about 52 million dollars in 1950. Its marketing research division consists of 14 full-time members. Considering the size of the company, this is quite a large department.

This department's activities are quite wide in scope - much wider than the activities of the Kroger Company's merchandising research department which confines itself to the solution of merchandising problems. The Stop & Shop marketing research division embarks on all the following studies:

market areas, the factor of competition, selecting and evaluating store locations, consumer buying habits, sales potentials, setting sales quotas, sales promotion, problems of pricing, movement of commodities, product elimination or simplification of lines, marketing possibilities of new products, store displays and their effectiveness, packaging, operating costs, elimination of waste, store standards and practices, streamlining of operations, problems of organization and supervision, and business trends.¹²

Stop & Shop (formerly known as the Economy Grocery Stores Corporation) established a marketing research department in 1938 when the company first began to build super markets. Selection of store sites and rear-

¹¹ The first part of this chapter is based on, G. Clark Thompson, Organization for Market Research (Studies in Business Policy, No. 19) (New York: National Industrial Conference Board, 1946).

¹² William Applebaum, "A Marketing Research Training Program for War Veterans," Journal of Marketing, 11:179, October, 1946.

ganising the company's entire system of distribution on the super market principle became the initial function of the department.

From this beginning the scope of the department's work was soon broadened. Management realised that the data gathered in comprehensive market studies could be used to good advantage in solving many merchandising problems. The advertising and sales departments began to use the newly established department. The department's activities soon went beyond the field of marketing. The department was asked to study the organisational structure of the company and recommend changes. The department also assisted in preparing a store policy manual.

The marketing research division is headed by the Director of Marketing Research and Coordination who reports to the general manager. Immediate supervision and direction of the staff, however, is delegated to the Manager of Marketing Research. The Director of Marketing Research and Coordination is also on the executive council which makes all company policies other than those determined by the board of directors.

The organization of the department is shown in Figure 5. The fourteen members of the department are supplemented when needed by temporary field and clerical help. The five analysts do most of the work either as individuals or in teams, depending on the size of the problem. Two specialists, one on meat merchandising and the other on produce merchandising, work with the manager in handling more technical matters in their respective fields. While these men are not trained marketing research analysts, they are highly skilled specialists in the marketing of these perishable products. The manager of the department coordinates these specialists with the analysts.

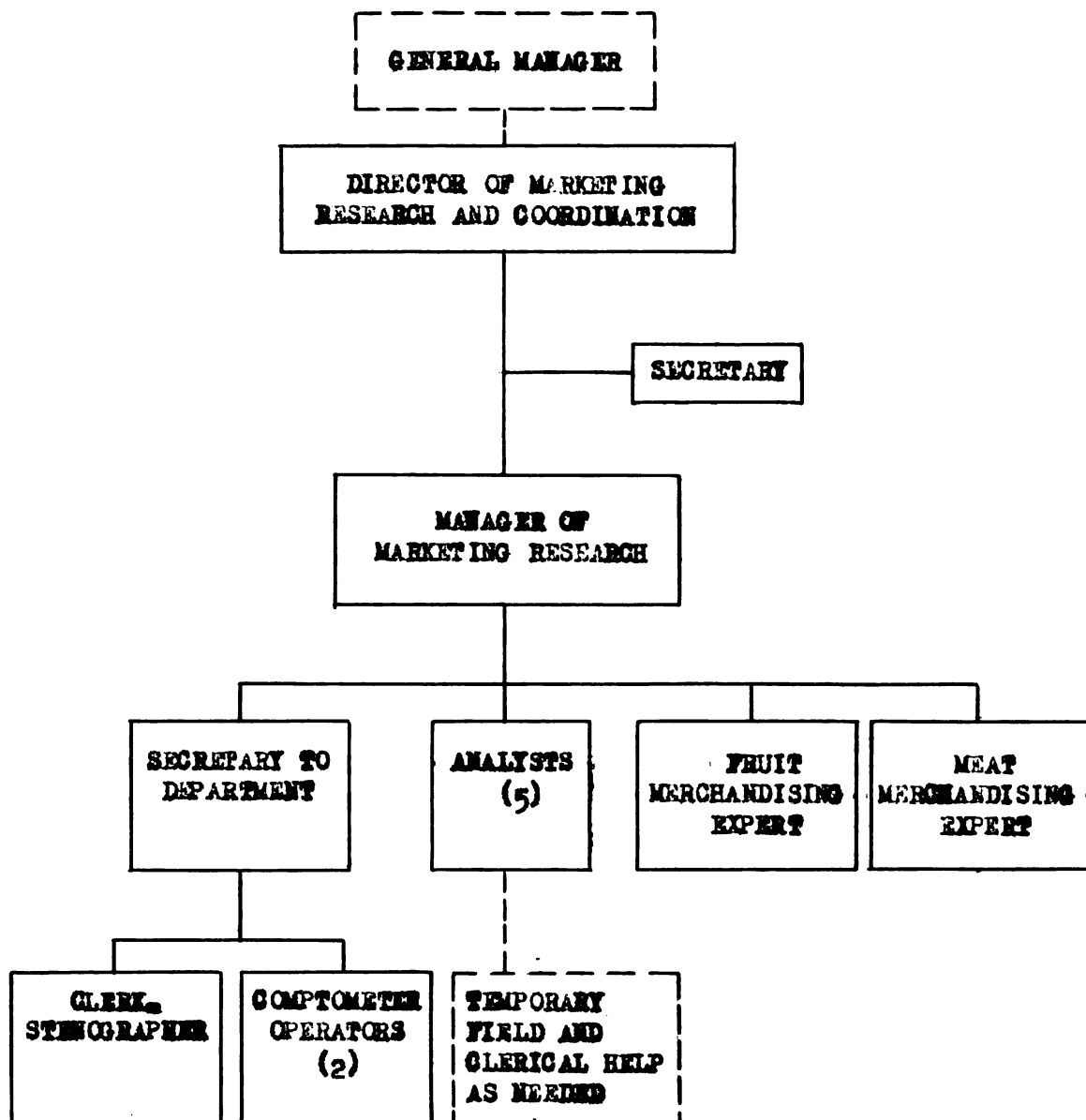


Fig. 5. Step & Shop marketing research department

While the scope of work handled by the department is broad, it does not undertake assignments in areas in which it is not competent, such as insurance, warehouse layout, et cetera. On occasions outside specialists are retained to supplement the department.

Repetitive jobs of an accounting or statistical nature are only handled by the department where interpretation or analysis is required. The department also renders assistance to other departments in planning procedures and forms and in developing follow-up controls.

While the majority of projects are initiated at the request of someone outside the department, some projects do originate within the department. Before any study is begun, a report is prepared describing the procedure and purpose of the work. The report also contains information as to who will do the work, when it will be done, and estimates the cost. Such a report serves as a blueprint in the execution of the study. Although the Director of Marketing Research and Coordination is responsible to the general manager for the department's work, the general manager has delegated the authority to the director so that, as a matter of practice, his judgment on the value of any certain project is final.

After an analyst is given a particular project, he must carry it to completion, even to the preparation of the final report. Maps and charts are either done by the analyst or by someone else in the department who is skilled at such presentation. The report is reviewed and edited by the manager before it is typed. The Director of Marketing Research and Coordination gives the report a final review before it is released.

In addition to gathering and interpreting the facts, the department also gives explicit recommendations. Reports are submitted to all key

men concerned with the subject. Where a report is of company-wide interest, all members of the executive council receive a copy. Quite often, the manager or director of the department supplements a written report with an oral presentation, using visual aids to put over major points.

The department is an entity within the corporation and has its own budget. The budget, based on the anticipated research program, is established jointly by the director, the general manager, and the vice-presidents. While the basic budget, covering the permanent staff, is fairly rigid, there is quite a bit of latitude in other expenses since the merit of each job is given separate consideration before it is undertaken.

Detailed cost-accounting records are kept on every study. Once a month the department prepares a report that gives the status and progress of studies, the man-hours expended, and costs. The general manager receives this report.

Each research analyst is expected to keep himself abreast of developments in marketing research techniques. The library procures copies of current articles on marketing research, and each analyst must brief several of these each month. After these briefs are mimeographed, they are distributed among the research members of the staff.

The Director of Marketing Research and Coordination spent five years doing marketing research work for Kroger before coming to Stop & Shop. He headed the department at Kroger for three of these five years. The manager came directly from a university and worked his way up through the department.

In the day-to-day operation of the department the manager has complete authority. He issues all instructions and supervises the work

without interference by the director. The director hires all the permanent staff members, assigns subjects for study by the department, approves reports before release, and handles budgetary matters. He also acts as adviser to the manager of the department on matters of marketing research technique.

Personnel from this department are drawn from both within the company and from outside. The department usually prefers young, intelligent people with little previous training in marketing research.

Stop & Shop has set up a special training program in marketing research for war veterans. Four young men between the ages of 22 and 29 were selected as trainees. The training was so designed to teach both practice and theory. The program was designed to take three years. There were four phases to the program: training through doing; seminars; contact with professionals; and university courses.

Each trainee was required to submit to his superior a daily report on his activities of the previous day. Each was given a specific piece of research and was to consult with his superior when necessary. In the course of their practical training, the trainees would: collect internal and external data; conduct marketing tests; and analyze the data and write reports containing conclusions and recommendations based thereon. Before starting in the marketing research department, these veterans were given some actual experience in company stores and warehouses.

Throughout the training program, a ninety-minute seminar was held each week with the Director of Marketing Research presiding over the trainees. At first, each seminar session was addressed by an executive

of the company who discussed the organization and activities of his department. Later, the seminars were devoted to presenting and discussing the following:

major current developments in the food distribution industry; the contents and characteristics of selected trade and professional journals; marketing source materials; marketing research tools and techniques; the merits and shortcomings of various marketing research surveys; the history of marketing research; marketing research organizations; and major current developments in the marketing research field.¹³

The trainees took turns in preparing and presenting the topics discussed at the seminar meetings. At intervals, guest speakers from education, government, or industry were invited to address the group. The trainees were required to submit reports based on each seminar meeting. These were read by the director who commented on them and returned them.

Extra-curricular activities were encouraged by the company. The trainees were urged to attend professional meetings of advertising, marketing, and sales groups. Written reports on all such meetings were required. A required curriculum of subjects to be taken at night was set up for the trainees. Courses in the following fields were required: statistics, accounting, economics, marketing, and psychology. The trainees also attended IBM courses on the uses of business machines.

Stop & Shop has done marketing research in the field of operations - a field in which relatively little marketing research work has been done. One such study had to do with the checkout problem.¹⁴ Despite the fact

¹³ *Ibid.* p. 180.

¹⁴ Richard Spears, "Improving Super Market Operating Efficiency," *Journal of Marketing*, 13:218-220, October, 1948.

that much had been said about the problem by various industry spokesmen, the Stop & Shop management still lacked a basis for clear-cut action.

When the problem was given to the marketing research department, it was decided to find out how much time customers spent in the store and how that time was divided between shopping and checkout. Each customer was handed a time-marked card when entering the store. This card was again time-marked when the customer entered the checkout line. Stopwatch studies were made to determine precisely how long the cashiers took to arrange the merchandise, total the sale, collect the money and bag the merchandise.

Information was also recorded to show the store departments visited, amount of sale and manner of operating checking booths at various periods of the day. From this data were determined the component part of each customer's store time, the number of customers in the store at any one time and the sales volume at any one time.

The following conclusions were derived from the study¹

1. Time required for adding merchandise charges on the cash register accounts for a relatively small portion of total checkout time.
2. Many of the suggested solutions and mechanical contrivances designed to reduce only the time required for totaling merchandise charges cannot substantially reduce checkout time.
3. Peak checking loads can be handled by providing additional checking equipment and cashiers, by reducing the functions of the cashiers, or by providing additional personnel to assist in arranging or sacking merchandise.¹⁵

On the basis of this study, extra checkout lanes were added where possible, new stores included extra checkout lanes and work schedules were

¹⁵ IMA, p. 220

adjusted so that a peak number of employees were available to help in the checkout stands during the periods of heaviest customer traffic.

Many of the Stop & Shop stores are located in and around metropolitan Boston. In this densely populated area rents are high, and a good location is extremely important. This chain, as a result, has done a considerable amount of research on defining trading areas. The principles could be applied to any other chain's store location problem.¹⁶

Stop & Shop generally tries to get about 75 interviews for every thousand dollars of store sales. In these interviews various pertinent facts about the customers are obtained. Specially designed mark-sense cards are used in the interviewing. This permits quick tabulation by IBM machines. While the customer is being checked out, the interviewer, stationed near the checkout stand, observes and records the following facts: time of day, sex of customer, departments shopped in and total amount of sale.

Then the interviewer (usually a girl) greets the customer pleasantly and asks the following information: means of reaching the store; frequency of store visit; length of time customer has shopped at the store; and home address.

Later, the addresses are plotted on a city map by the marketing research department. Consecutive radii, emanating from the store, are drawn at quarter-mile intervals. Thus, the store's trading area can be determined. Using an income map, the customer's income status can also be determined from the address. If it can be determined just how many

¹⁶ William Applebaum and Richard Spears, "How to Measure A Trading Area," Chain Store Age, 27:149-168, January, 1951.

people reside in each quarter-mile zone, a yardstick for measuring store performance is available. Knowing where the store's customers live and the amount they spend, a per capita sales figure can be obtained for each zone. Stores of competitors are also spotted on the map to give a more rounded picture of the situation.

The information revealed from such a study can be broken down in such a way as to unearth a large amount of useful and interesting data about the customers of a certain store. The data can be of value to a chain in deciding whether to open additional stores in a town where it already has a store. If there is a section of town that the store is not drawing customers from, a new unit might profitably be opened in that section. On the other hand, a chain might avoid the error of opening a store in an area whose residents are already shopping at one of its stores. This technique can also be used in evaluating sales promotion schemes. If a study is made three or four weeks after a promotional campaign, and the breakdown shows a large number of new customers, the campaign may be judged successful.

As was mentioned in Chapter II, Stop & Shop is a firm believer in the use of controlled experiments. This technique has been used with success on actual problems facing leading manufacturers of food and grocery products and Stop & Shop. This technique is especially well suited to the problems confronting a multi-unit operation.

CHAPTER VI

RESEARCH BY OTHER CHAINS

Safeway Stores

Safeway Stores, Incorporated, the second largest food chain in the country, operates 2,080 stores that do an annual volume of 1.2 billion dollars. This chain has had a separate marketing research department since 1940. Prior to that time marketing research was done by the company's advertising agency.

The organization of the marketing research department may be seen in Figure 6. The manager of the marketing research department is under the supervision of the manager of the advertising division who, in turn, is responsible to one of the president's administrative assistants. The marketing research department consists of three sections - sales analysis, field surveys, and economic research - each of which is headed by an assistant to the manager. The department is served by a staff of typists, tabulators, and a cartographer. There are eight full-time employees in the department and three hundred part-time investigators who are used as needed.

This department scans published material and, after briefing pertinent material, passes it along to top management for further consideration. The department is called on to answer many questions on population and consumption. While the department maintains some sales records, its work is mainly analytic, the assembling of these figures being done by other departments.

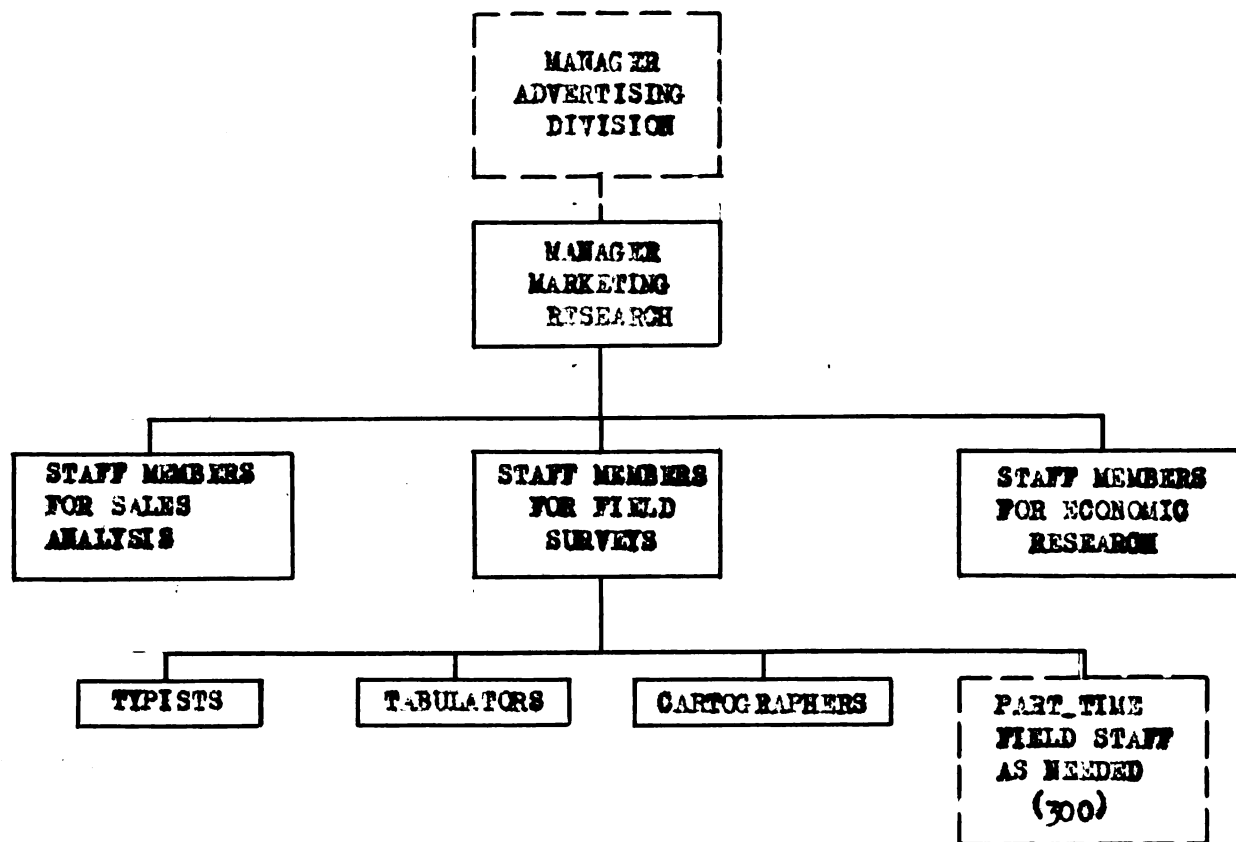


Fig. 6. Marketing research department of Safeway Stores

Requests for research may come from any division of the company. Occasionally, the department will originate its own studies. Preceding the inception of any research, the advertising manager must pass on the proposed research and its cost estimate. While the department's work is scheduled by the manager, the president's administrative assistant mediates any controversy over the priority of various projects. All reports are written and oral reports are seldom given. Recommendations are usually included, and the department relies on top management to see that these recommendations are put into practice.

Much of the original data are obtained through the three-hundred part-time investigators. The advertising agency is only used to perform research that is directly related to the company's advertising program, such as media research and copy research. Store managers are not used in gathering data.

The department's budget is based on the previous year's experience plus whatever tasks are anticipated in the coming year. This is flexible, however, and a special appropriation may be obtained on approval of the advertising manager.

The members of the department come both from graduate schools of business and the regular employment channels. The technical competence of the staff is maintained by periodic staff meetings, pertinent readings, and membership in various trade associations. The manager of this department was formerly the marketing research manager of one of the company's advertising agencies, so he has had experience in Safeway's problems as well as marketing research before his present job.

Recently this department has conducted research to determine the cost of handling coupons. It was felt that the one-cent allowance granted by manufacturers was inadequate. Comprehensive studies showed that the cost was nearer two cents. On the basis of these findings a number of manufacturers raised the handling fee to two cents.

Grand Union

The Grand Union Company operates 295 stores that do an annual volume of 116 million dollars.¹⁷ This company has a research department which consists of the department head and three other men. For stenographic and statistical help the department uses the regular company services. The department is directly responsible to the President through his assistant.

The work of the department is quite flexible. It does store location work, competitive studies, merchandising studies, research on promotional efforts and a great deal of work on new types of store operations. For instance, the department has made studies on the use of iced produce versus refrigerated produce, best methods to price stamp cans, packages, checkout problem and Food-Q.Mat loading problems.

This department is somewhat small and relies on outside agencies from time to time. About two years ago a management engineering firm made a complete study of office methods and another firm studied store operating methods.

Food Fair Stores

Food Fair Stores, Incorporated, the seventh largest food chain in

¹⁷ This is the sales volume for 1949.

the country, operates 113 stores that did a volume of 164 million dollars last year.¹⁸ This chain has the highest sales per store of any principal chain in the food field - 1.3 million dollars per store per year.¹ This company has its own research department. In addition to the director of research there are two analysts and a clerk-typist. Also available are panels of trained part-time interviewers in most of the areas where the company operates. Additional clerical or office help is drawn from an office pool as needed.

This department has conducted many studies of ways and means to effect operating economies. Substantial improvement in store operating efficiency resulted from intensive concentration on a productivity approach to payroll analysis and control. Thorough studies of trading areas, shopping habits, and related factors in various Food Fair communities provided information of great value in improving operations of specific super markets, in evaluating prospective store locations and in developing more effective sales promotion techniques. Other research activities have included: comprehensive analysis of commodity lines carried by the four grocery warehouses; studies of merchandise movements by brands; surveys of self-service meat and delicatessen operations; and comparative sales analysis.

Alpha Beta Food Markets

Alpha Beta Food Markets, Incorporated, a California chain of super markets, is an interesting case in the field of marketing research. This chain has 22 large stores, and, despite the comparatively small size of the chain, recently established a marketing research department.

¹⁸ This was the fiscal year ending April 29, 1950.

While the planning of the marketing research is done by the department, the actual field studies are usually made by outside agencies with whom the department is in close contact. The department does not do routine statistical work unless analysis or interpretation is required.

In selecting a man to head this department, the company decided that a man with a background in the company would be preferable to an outside research technician. It was felt that line executives would have more faith in such a man. The company expressed the qualifications they desired as follows:

He should have a working knowledge of marketing, economics, statistics, mathematics, psychology, sociology and economic geography. He must also have the ability to write brief, easily understood reports which can be acted upon promptly. When the occasion arises at staff meetings, he should be able to speak in a forceful and clear manner. Another requirement is a keen analytical mind which can separate fact from fiction and present an unbiased objective view even though at times it may be in the form of constructive criticism. Obviously in addition to being a salesman and a diplomat, he must be able to respect confidences because much of his work is of a confidential nature.¹⁹

To meet these requirements, a man who had been with the company for eighteen years was selected.

The scope of the department's work has been rather broad. Studies have been conducted on the following subjects: store location, company organization, quotas and budgets, produce shrinkage, checkout procedure and equipment, incentive plans for store management, form for annual stockholders report, company ownership versus rental of fleet cars, design of produce order and billing form and produce inventory system. Various merchandising and promotional schemes are also tested by this department.

¹⁹ Claude W. Edward, "How Research Works for Us," Chain Store Age, Grocery Edition, 27:173, February, 1951.

Colonial Stores

Colonial Stores, Incorporated, a fifty-year old southeastern food retailing company, operates around 370 food stores in seven states, with a 1950 volume of nearly 180 million dollars. This company has no integrated staff department for marketing research, but, despite this lack of formal recognition, many of the functions in this field are carried on by several different staff departments in the fields of accounting, sales, advertising and public relations. Trends in distribution efficiency are also studied continuously by administrative assistants attached to the staff departments concerned with warehousing and transportation. Thus, marketing information is regularly gathered for the use of management although the responsibility rests with a number of different units, rather than in one department.

This company recently conducted a survey among some nine-thousand respondents in 16 key cities from Richmond, Virginia southward to Florida. The purpose of the study was to determine some of the food shopping habits of housewives within the territory in order to appraise the company's merchandising policies. Professional interviewers were engaged to contact a selected sample of approximately 1 percent of all families in the cities under study. No disclosure was made of the sponsoring firm. The results were tabulated on IBM machines. Even with this modern equipment, however, the job was tremendous.

The lengthy questionnaire, which is reproduced in Figure 7, was designed to determine the most popular store in a given community, most popular shopping time, effectiveness of food advertising, and a host of other questions on merchandising, personnel and store conditions.

CITY _____

() Neighborhood Number _____ Address _____

A _____ B _____ C _____

Number of Persons in Household _____

1. Do you do most of the food shopping for your family? Yes___ No___

A. (If answer to above is "No")

Who in your family does most of the food shopping? _____

2. Please try to recall on what days you shopped for foods last week, the stores you shopped in and the type of foods you purchased in each.

DAY	A.M. or P.M.	PURCHASES			STORE
		Meats	Produce	Groceries	
Mon.	_____	_____	_____	_____	_____
Tues.	_____	_____	_____	_____	_____
Wed.	_____	_____	_____	_____	_____
Thur.	_____	_____	_____	_____	_____
Fri.	_____	_____	_____	_____	_____
Sat.	_____	_____	_____	_____	_____
Sun.	_____	_____	_____	_____	_____

- A. Which day last week did you make the largest amount of purchases?
 Mon.____; Tues.____; Wed.____; Thurs.____; Fri.____; Sat.____; Sun.____

- B. Why did you make the largest amount of purchases on that day?

3. In what store do you usually make the largest amount of your food purchases? Name of Store () _____

- A. How long have you been making the largest amount of your purchases in that store?

Less than 3 months

3 to 6 months

6 months to 1 year

1 to 3 years

Over 3 years

No Answer

- B. If you have changed stores within the last year, in what store did you previously make the largest amount of your food purchases?
 Name of Store () _____

Fig. 7. Questionnaire used by Colonial Stores

3. Why did you change? _____

Comments:

4. Do you recall seeing any of these advertisements in your newspaper last week? (Show advertisements)

Yes_____ Yes_____ Yes_____ Yes_____ Yes_____ Yes_____

A. Is there anything you particularly remember from any of these ads?

B. Ads like these appear every week. Is there any one of them that you read more regularly than others?

_____ No Preference_____

C. Why do you read it more regularly than the others?

Get ideas for meals_____

Features low cost specials_____

Lists large numbers of items_____

Runs menu suggestions or homemaker helps_____

Helps in making your shopping list_____

Other reasons_____

5. Do you receive handbills or circulars from any food stores in your neighborhood?

Yes_____ No_____ Occasionally_____ (Includes yes)

A. Do you read them? Yes_____ No_____

B. Do you shop at the store sending circulars to you? Yes_____ No_____

Comments:

6. Do you look at the advertising and price-posters on store windows when you are shopping? Yes_____ No_____

A. Do you sometimes go into a store to make a purchase as a result of seeing its window advertising?

Yes, Frequently_____ Yes, Occasionally_____ No_____

7. Do you, or do you not, feel that some stores are lower in price than others? Check one:

Some are lower than others_____

All about the same_____

No opinion_____

A. (If answer to above is "Some are lower than others")

Which one or two stores would you say are usually lowest?

B. Do you think this store is:

1. Lowest just on certain items or lowest on most items in the store? Check one!

Lowest on certain items _____
 Lowest on most items _____
 No answer _____

2. Is it lowest just on week-end specials or is it lowest all week long?

Lowest on week-end specials _____
 Lowest all week long _____
 No answer _____

C. On what do you mainly base your opinion?

Advertising _____
 Shopping Experience _____
 Other _____
 No answer _____

Comments:

8. Among the stores you are acquainted with, which, in your opinion, offers the following?

Widest variety of items to choose from
 Best Quality
 Most convenient arrangement for shopping
 Best quality meats
 Lowest prices in meats
 Best quality of fruits and vegetables
 Lowest prices in fruits and vegetables
 Best quality of groceries
 Lowest prices in groceries
 Most courteous or friendly employees
 Most convenient location
 Most satisfactory check-out service

_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____

Fig. 7. Questionnaire used by Colonial Stores (continued)

9. There is a shopping section where a number of food stores are located near your home. Have you gone outside that area to buy foods in the last month?

Yes_____ No_____ How many times_____

A. (If answer to last question is "Yes") WHY?_____

10. Do any of the stores you are acquainted with have a self-service meat counter where steaks, chops, roasts, etc. are pre-packaged?

Yes_____ No_____

A. What is your opinion about self-service meats?

Like_____ Dislike_____ Don't care_____ No Answer_____

Occupation of head of family_____

Comments:

This particular project was initiated through a conference of the administrative vice-president, controller, sales manager, advertising manager, public relations man and a representative from the company's advertising agency.

Several such conferences were held, during which the strategy and details of the survey were worked out. The advertising agency handled the mechanics of the survey, and the accounting department of Colonial Stores took over the tabulating phase upon receipt of the completed questionnaires which were mailed in by interviewers.

This particular survey was broader than any other the company had conducted in the past. Much more detailed analysis remains to be done. For instance, it is planned to break down the opinions by shopping centers in the larger cities and to compare the opinions with the density of coverage by Colonial Stores and competitors.

Other continuing studies include comparisons of company reports, such as sales and costs, by geographical units with applicable statistics from government agencies and from such published market information as appears in Sales Management, Printers' Ink, and Editor and Publisher magazines. By making a comparison on a county-by-county or city-by-city basis, using disposable income estimates, ratio of food expenditures by salary brackets and other indicators, some gauge of performance may be determined.

Without the formal creation of a marketing research department, each of the staff departments continues its own research to improve its operations and the company's over-all performance. The sales department, for

instance, keeps detailed statistics on the individual turnover rates among some three-thousand items. This running history is an objective marketing record of national, regional, and private label brands. This department also conducts tests within the stores on shelf and display alignment. The company does a considerable amount of price checking among competitors. Selected groups of items in each department are checked in the stores of competitors each week. Supervisors and merchandisers receive a special form on which to record such information.

Jewel Food Stores

The Jewel Tea Company operates 155 stores in and around Chicago. These stores did a volume of 188 million dollars last year. Although Jewel has no marketing research department, line executives in the merchandising, real estate and operating sections of the company do some research.

Since all the Jewel stores are in the metropolitan Chicago area, the company is able to use profitably the considerable amount of research done by others on this densely populated area. The Chicago newspapers, particularly the Tribune, have done quite a bit of research on this area. A report put out by the Tribune, entitled "Your Retail Link," gave the results of a city-wide survey of retail units doing more than one-thousand dollars weekly. The report listed the various stores by types, gave the volume and lines of merchandise carried. Income and population data are available for separate areas within the city, and Jewel has used these figures in site selection and setting sales quotas. A consumer panel, operated by the Chicago Tribune, is used by Jewel to ascertain various shopping habits of local residents.

Penn Fruit Company

The Penn Fruit Company operates about 13 very large super markets in and around Philadelphia. A certain amount of marketing research is done by executives since there is no separate department. The company has used a marketing research agency for some consumer studies on market penetration and acceptance of self-service meat departments.

Red Owl Stores

Red Owl Stores, Incorporated, of Minneapolis, operates about 175 stores doing an annual volume of about fifty million dollars. The organization has no separate marketing research department, such work being done at intervals by line executives. As part of a national survey of food buying habits by the Curtis Publishing Company, interviews were recently conducted in Red Owl stores. After the data had been broken into various categories, the Curtis Company made all the information available to Red Owl. The information was very detailed, and cast new light on some of the problems facing the company.

American Stores

American Stores, the fourth largest food chain in the country, operates about 1,500 stores in the East that do about 440 million dollars annually. The company has no marketing research department. On occasions outside research agencies have been used to contact consumers to find out opinions on competing stores. The line executives conduct some work of a marketing research nature, such as store location, analysis of competition, sales potentials and displays.

J. Weingarten

J. Weingarten, Incorporated of Houston, Texas operates 25 extremely large stores. The average store in this chain does an annual volume of about two million dollars. The company has no marketing research department. Various departments undertake studies on their own, but this is not a unified program and is only done as the need dictates. The company has used outside research agencies, but this has been infrequent,

National Tea Company

The National Tea Company of Chicago operates 646 stores that did a volume of 315 million dollars in 1950. Marketing research is done only on a part-time, informal basis by line executives. The company uses to advantage the market data provided by various newspapers in its area. This is especially true of the Chicago area where the Tribune and other papers provide salient marketing facts and figures.

Other Chains

First National Stores, Incorporated, a New England chain of over a thousand stores doing a volume of 354 million yearly, Wrigley's, a Detroit chain of around 25 large stores, and Von's, a California chain of around 15 very large stores, are all similar in that they have no marketing research departments. This is not to say that they do no marketing research, however, since a certain amount is indispensable in any food chain. Lucky Stores, Incorporated, a California chain of about 35 large stores, has no marketing research department at present, but professes the intention of setting up such a department in the near future. The

company has recently been reorganized, and the more immediate operating problems have taken precedence over the establishment of a marketing research department.

CHAPTER VII

ORGANIZATION OF A MARKETING RESEARCH DEPARTMENT

The preceding chapters have been mainly devoted to case studies of how various food chains have or have not used marketing research. This chapter will contain some over-all statements on the organization of a marketing research department, based largely on the cases cited previously.

Although most of the functions of marketing research as practiced by food chains have been mentioned, it might be well to mention the findings of the National Industrial Conference Board in a study it conducted on company practices in marketing research. According to this report, the most important functions of the marketing research departments in retail trade were as follows:²⁰ analysis of consumer market; competitive conditions in markets; sales methods or devices; customer preferences; relative distribution costs; estimating potential sales; analysis of potential new market areas; analysis and interpretation of general market data; price structures; sales methods or distribution policy; public relations; selection of distributive channels; and sales performance tests.

Separate Department Versus Line Executive

Before proceeding any further, it might be well to consider whether a separate marketing research department should be established, or whether this work can be handled on a part-time basis by line executives.

Of course, in almost every concern of any size a certain amount of marketing information is compiled. However, there are disadvantages in

²⁰ G. Clark Thompson, Organization for Market Research, (Studies in Business Policy, No. 12), (New York: National Industrial Conference, 1945), p. 19.

having this done on a piecemeal basis by various operating executives since fact finding is usually secondary and gets side-tracked. Moreover, there is no coordination of effort and the resulting information is often not fully disseminated. There are special marketing research techniques of which most ordinary executives are not aware. The knowledge of potential sources of information is a specialty in itself, as is the task of presenting the results in a comprehensible form and interpreting the significant points correctly.

It would appear, where marketing research is done by a line executive, that management does not see the need for separating the measuring function from the operating function - that which is measured. Thus, line executives measure their own results and diagnose their own weaknesses. This is somewhat comparable to having accountants audit their own books. It is often very difficult for line executives to see their problems with complete objectivity.

Marketing research is often done on a part-time basis by someone in the sales department. The mental outlook necessary for sales work is hardly the same as that required for marketing research work. Sales executives are often highly optimistic - that is their duty. This optimism leads to emphasizing strong points while minimizing weaknesses.

It seems preferable, therefore, to have a separate marketing research department. In setting up a marketing research department, the following points should be kept in mind:

1. Select the head of the department carefully.
 - a) Should have academic training in marketing, statistics, economics, and business.
 - b) Should be objective and analytical.
 - c) Should have experience in marketing research and either merchandising, selling or advertising.

2. Have the department report to top management and be free to criticize - strictly a staff department.
3. Set a long-range program - little routine work.
4. Set a flexible budget on the basis of the work to be done.
5. Require statements on purposes, methods and costs at intervals.
6. Allow the head of the department to sit in on top committees to anticipate the company's problems.
7. Allow the director to spend some time in the field.²¹

Size of Department

If, therefore, a separate marketing research department is superior to having the work done informally by line executives, the next question is one of the size of the department.

A large department is not necessary except in the case of a few extremely large organizations. A marketing research department should not be very large or it will acquire regular, routine jobs which make it an operating department, rather than a research department. Moreover, a large department may be regarded as a "frill" which will be the first department to be cut when profits sag.

The term "department" may be unfortunate. Smaller companies may not be able to afford a "department" in the usual sense of the word. Such companies might well employ one good man who understands the field thoroughly and rely on outside sources for most of the work.

The following factors govern the size of the department:

1. The number of actual marketing research functions it performs.
2. The amount of routine work assigned to the department.
3. The amount of statistical accounting done by the department, i.e. area or geographic distribution of sales, sales by item, etc.
4. The use of company service departments such as stenographic and computation pools and tabulating departments.

²¹ Heusser et al. "Marketing Research In American Industry, Part II," Journal of Marketing, 12:37, July, 1947.

5. The degree of centralization of marketing research activities prevailing in the company.²²

More important than the size of the department are the quality of the research and the fact that the department should have direct access to top management. Obviously, a carefully selected, adequately compensated executive is in a more favorable position to gain the respect of other department heads than one of uncertain rank who has only the half-hearted backing of management. Marketing research is no good unless used. Close contact with top management goes a long way in getting research put into practice.

Since the smaller chains would probably find the overhead of a large department to be a serious financial drain, the solution seems to lie in having a small, liaison-type marketing research department which relies heavily on the services of outside marketing research consultants to do most of the actual work. Such a department would be mainly concerned with determining the research needed by the company, making broad outlines of the work and interpreting the results after the outside agency has compiled the desired information. A department of this nature could freely avail itself of the services of specialists in such fields as statistics, packaging and advertising.

When an outside agency is used, there should be close coordination with the company so that the agency begins where the company leaves off. Otherwise, the agency would tell the company what it already knows.

²² Housner et al., "Marketing Research in American Industry, Part I," Journal of Marketing, 11:353, April, 1947.

There is a precedent in the use of an agency on a fee basis in the field of advertising. Few companies can afford a large department of advertising specialists. The solution is to use the services of an agency. There is a parallel situation in the marketing research field. An outside research agency can bring broad experience in the field to focus on the problems confronting any particular company.

The main advantages of an outside agency are the broad experience gained by many years in the field, the mechanical facilities, and an objective viewpoint. Outside agencies are at a disadvantage in that they lack an intimate familiarity with the conditions peculiar to any one company. Close cooperation with the company can overcome this drawback to a considerable extent, however.

Some companies permit their advertising agencies to do all their marketing research. It would seem to be preferable to allow such an agency only to do research on matters immediately concerned with advertising since that is its specialty.

While the larger jobs could be handled by an outside marketing research agency, the smaller jobs should be done within the company where at all possible.

Outside Sources of Information

As was mentioned earlier, one of the functions of a marketing research department is to act as a clearing house for pertinent information from outside sources. There are many sources which can furnish vital data to those engaged in marketing research work in the food chain field.

While it is quite impossible to enumerate all the possible outside sources of information that food chains may use in marketing research,

an attempt will be made to list some of the major sources.

There are many producers of merchandise sold in food chain stores that have marketing research departments. Harmonious relationships between the marketing research departments of the producers and the food chains can yield benefits to both groups. The interchange of information between these two groups can help both to solve their respective problems. Du Pont and Armour, for instance, have done much in the marketing research field and have made most of their results available to retailers. Producers and retailers both have the common goal of selling more merchandise, and cooperation in marketing research is mutually beneficial.

Various store auditing services, such as Nielsen and Industrial Surveys, check the movement of various items in chain stores and furnish the cooperating chains with information on a quid pro quo basis.

As was mentioned in the earlier chapters, many metropolitan newspapers furnish marketing data which is of interest to food chains. Included in such data would be figures on: population, income, retail sales, retail outlets, newspaper circulation and trading areas. Some of the larger papers conduct pantry inventories, panels, or store auditing reports. Local Chambers of Commerce can often reveal pertinent facts and figures about the areas they represent.

Trade associations, e.g. the American Meat Institute, the Frozen Food Foundation, the National Association of Food Chains, the Super Market Institute, et cetera, while not marketing research groups, often compile information which is of much interest to anyone doing marketing research work in the food chain field.

By far the largest compiler of facts, figures, and statistics in the world is the United States Government. Of main interest to food chains is the work of the Departments of Commerce and Agriculture.

The Production and Marketing Administration of the Department of Agriculture has done a considerable amount of work on the retailing and distribution of farm products. Of particular interest to food chains is the work done on pre-packaged produce and self-service meat departments.

The Bureau of the Census of the Department of Commerce is a major fact finding and statistical agency with data on population, business, industry and agriculture. The vast fund of information gathered by this department is of tremendous value to anyone in the field of marketing research.

Some colleges now do marketing research which could be profitably used by chains. Such sources should be familiar to men in the marketing research field.

CHAPTER VIII

SUMMARY AND CONCLUSIONS

Antecedant to the discussion of marketing research work done by various food chains was the necessary preliminary chapter on the various marketing research techniques. While it is admitted that the survey is irreplaceable for certain problems, the controlled experiment, heretofore rather neglected, seems to be ideally suited to help solve certain problems confronting food chains. Problems in packaging, displays, promotions, and pricing, to name but a few, seem to be especially well suited to the use of this technique.

Examples of how both the survey and experimental techniques are used have been brought out in the discussions of research done by various chains.

In the discussion of the Kroger Company, it was shown that research is carried on by a number of departments in that company, with the merchandising research department being the main marketing research body. In the study of representative problems of this department, various applications of research were illustrated. Some problems are done in a relatively short time, while others, concerned with basic company policy, require a longer period of study.

The study of Stop & Shop of Boston showed that marketing research is a continuous activity which is welded into the regular activities of that company. The scope of problems handled by the marketing research department of Stop & Shop is quite broad, including operating problems.

The specific technique used by Stop & Shop for plotting trading areas was described.

Of the other chains mentioned, only Safeway Stores, Grand Union, Food Fair, and Alpha Beta Food Markets have marketing research departments. While the other chains have done a certain amount of research, it was generally quite limited, being done on a part-time basis by a busy executive.

A separate marketing research department gets full coordination of effort and dissemination of results. Such a department is in a better position to be familiar with special techniques and potential sources of information. Moreover, the task of presenting results in a comprehensible form and interpreting significant points correctly can be done in a more efficient manner by a separate full-time department. Line executives often lack the time, objectivity and specialized know-how necessary for sound research. For these reasons, a separate marketing research department is felt to be superior to having such work done informally by a line executive.

Research should not be considered to be a prerogative only of large corporations. Realizing that smaller chains have limited budgets, it is felt that a small department which makes use of outside agencies for the larger jobs is best suited to their needs. Such a department would determine the company's research needs, make broad outlines of the work and interpret the results after an outside agency has compiled the desired information. Close contact with such an agency, of course, is essential.

The quality of the research is the important thing. The selection of the right man to head the department goes a long way in insuring the

quality of the department's work. If research is to be put into practice, the marketing research department must have access to top management. The head of the department should sit on top management committees in order to anticipate the company's research needs.

Since there are really only a few food chains with marketing research departments, it is felt that the other chains could profitably expand in this direction. There are three chains with annual volumes over 300 millions dollars that do not have marketing research departments. It is felt that these chains, particularly, could benefit by such a move.

It is up to marketing research men to "sell" their services to the chains. No chain will adopt marketing research merely to be considered "progressive." Management will be eager to adopt marketing research, however, if they can be shown how they can profit from it. If research allows itself to lose sight of the profit motive as the real reason for its existence, if the merchandising and sales departments fail to make practical use of the facts developed, and if top management allows either of these things to happen, then the money spent is wasted.

Marketing research does not attempt to usurp the function of management in making decisions, but presents management with carefully checked information to use as a basis for making sounder decisions. While marketing research data cannot replace sound judgment, experience, and good common sense, it should not be underestimated. Judgment and experience alone will serve some of the time, but not all the time. The very best decisions are wanted in every instance. For the best decisions, facts must guide judgment and experience. For many marketing problems no

combination of qualities inherent in any small group can possibly be as good as research data that scientifically describe a situation.

Various pieces of legislation have constricted the buying advantage once held by chains. As a result, chains have been forced to put more emphasis on sales. Chains must realize that they have no pre-emptive right to any customer. They must wage an aggressive battle to retain their customers. Conditions change rapidly in the dynamic field of retailing. As conditions change, products, sales and distribution policies must change with them. Marketing research points the way for these changes. If given the opportunity, marketing research can do the job!

BIBLIOGRAPHY

- Applebaum, William, "A Marketing Research Training Program for War Veterans," Journal of Marketing, 11:179-181, October, 1946.
- _____, "Controlled Experimentation in Marketing Research," Journal of Marketing, 14:505-515, January, 1950.
- Applebaum, William, and Richard F. Spears, "How to Measure a Trading Area," Chain Store Age, Grocery Edition, 27:149-158, January, 1951.
- Blankenship, Albert Breneman, editor, How to Conduct Consumer and Opinion Research, New York: Harper and Brothers, 1946. 314 pp.
- Brown, Lydon O., Marketing and Distribution Research, New York: The Roland Press Company, 1950. 599 pp.
- Cordell, Warren, "Six Ways to Appraise the Reliability and Usefulness of Marketing Research," Printers' Ink, 226:36-38, July 1, 1949.
- Crisp, Richard D., "To Increase Profits from Research," Advertising and Selling, 40:52-54, April, 1947.
- Does Distribution Cost Too Much? New York: The Twentieth Century Fund, 1941. 382 pp.
- Edward, Claude W., "How Research Works for Us," Chain Store Age, Grocery Edition, 27:173-188, February, 1951.
- Elder, Robert E., "What Sales Management Expects from Research," Journal of Marketing, 13:52-55, July, 1948.
- Ellison, Paul S., "Five Steps for Conducting Market Research," Printers' Ink, 216:39-41, September 13, 1946.
- Ferber, Robert, Statistical Techniques in Marketing Research, New York: McGraw-Hill Book Company, Inc., 1949. 542 pp.
- Ganly, Raymond M., "How to Get Marketing Research Used at the Executive Level," Printers' Ink, 221:57-65, December 12, 1947.
- Garnatz, George, "But What Do the Consumers Say?" Food Industries, 22:1333-1464, July, 1950.
- Heldingsfield, Myron S., and Albert B. Blankenship, Market and Marketing Analysis, New York: M. Holt, 1947. 335 pp.
- Housner et al., "Marketing Research in American Industry: I," Journal of Marketing, 11:338-354, April, 1947. Part II, 12:25-37, July, 1947.

Nebart, Donald M., editor, Marketing Research Practice. New York: The Roland Press Company, 1950. 471 pp.

Odle, Harry J., "Why Every Company Should Do Marketing Research," Printers' Ink, 209:83-90, October 20, 1944.

Phillips, Charles F., "Major Areas for Marketing Research," Journal of Marketing, 11:21-26, July, 1946.

Reed, Vergil O., "The Base on Which Selling Plans Must Build," Printers' Ink, 221:64-78, October 31, 1947.

Simmons, Harry, Practical Sales Management. New York: Prentice-Hall, Inc., 1946. 427 pp.

Spears, Richard F., "Improving Super Market Operating Efficiency," Journal of Marketing, 13:218-220, October, 1948.

Thompson, G. Clark, Organization for Marketing Research. (Studies in Business Policy, Nos. 12 and 19) Part I: Industry Experience. Part II: Operating Methods and Company Plans. New York: National Industrial Conference Board, 1945, 1946. 24 pp., 46 pp.

Toussaint, E. M., "Follow-through on Marketing Research," Sales Management, 61:60-63, September 15, 1948.

Webber, Harold H., "The Consumer Panel: A Method of Media Evaluation," Journal of Marketing, 9:137-141, October, 1944.

MICHIGAN STATE UNIVERSITY LIBRARIES



3 1293 03175 5378