





THE IMPORTANCE OF NON-FOODS AND THEIR
QUALITY CONTROL IN THE RETAIL
GROCERY INDUSTRY

By

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CHAPTER I

INTRODUCTION

Definition of the Problem

Since the cessation of World War II, the American economy has been typified by the dynamic expansion of the retail trade industry. Initially, this expansion was supplied by the pent-up consumer demands resulting from the shortages precipitated in the five long war years. However, before the impetus of these latent consumer demands had been exhausted, the highly skilled management of both the manufacturing and distributive trades had converted their production forces to the creation and distribution of a dazzling array of new products distributed and merchandised by unique methods. Not satisfied with the windfall sales and profits of these latent consumers' desires being actualized, the creative and innovative genius inherent in the American industries forged ahead to provide broad product lines and the mass market merchandising facilities to distribute these products. These activities have provided the highly competitive and steadily expanding industrial picture of today.

Not the least of these participants, the retail

food industry has constantly revised and improved their facilities to enhance the swelling flow of both staple and new food products to the eager consumers. From almost a standing start, the food industry has propelled itself into the supermarket age with astonishing speed. With the realization that the consumer was seeking ease of access, quality, variety, and freshness in her product selection, the management of the food industry at the retail level quickly provided the now familiar supermarket in compliance with these demands. One-stop shopping became a reality, and the consumer was provided with even more leisure time to pursue the economically important recreational pastimes.

Accompanying this rapid expansion of the retail food chains was a tightening competitive picture. Customer service costs were constantly increasing and, at the same time, competitive pricing was driving the profit margins lower. Either the acquisition of external operating procedures or a spontaneous internal revision was needed to revise this unfavorable trend in profits and sales. Food chain management began to analyze both competitive food chain operations and related retail chain industries for the answer to their problem.

The problem was two-fold. How to attract more customers by a wider product line was the first consideration. In addition, what product line was going to yield a more satisfactory profit margin in the total merchandising

mix and sales effort. The increasing popularity of one-stop shopping and the analysis on commodity group profits provided the answer. Non-foods seemed to offer the solution to both problems and, at the same time, lend itself physically to the distributive systems already operative in the food industry.

Non-foods merchandising was not a totally new concept to the food industry. Rather, it was an available tool that had not yet been fully utilized. With this realization, followed by the imputing of non-food merchandise into the food retail outlets, the industry management solved some of their immediate problems. At the same time, they created the need for new long-run concepts in the promotion and handling of non-food merchandise. How to fit the positive and negative attributes of non-foods into the total product mix was the central problem and would continue to be of major importance.

Purpose of the Study

The purpose of this study is to outline the importance of non-food merchandising in the total product mix utilized in supermarket merchandising. The historical, present, and future importance of non-foods will be considered. Along with the physical contributions of profit and volume, the effect of the quality and type of non-food merchandise on the total retail store image will be discussed. Above all, how can the

merchandising of non-foods in the future be better coordinated with existing food merchandising policy? The areas concerning quality control of non-foods will receive special consideration.

Since the supermarket chains are relatively new in the field of mass non-food merchandising, the analysis of programs utilized by non-food chains should provide additional pertinent material on the subject. Especially the methods of quality control and product analysis could be most valuable to a food chain merchandiser of non-foods and maintaining an over-all competitive position in the present retail food market.

Importance of the Study

The importance of the study is based upon the hypothesis behind its formulation, that hypothesis being: The future of non-foods in the retail food chain operation is based upon the ability of the food chain management to successfully integrate the merchandising of non-foods into the total pattern or philosophy of present food merchandising operations. If the present market images of food chains do exist, how will the types and qualities of non-foods affect the consumer image? Where shall the emphasis of advertising and promotion be placed and how will it affect retail operations? These are questions that must be answered before the food chains can successfully move forward with their integrating plans.

Through demonstrating the rise of importance of non-food operations, the level of customer acceptance of non-foods in the food supermarket, and the trends in present non-food operations, it may be possible to qualify a statement about future non-food selling policies. If no other objective is realized, this study will, at the least, point out some of the excellent potential in this merchandising area. Also, it will demonstrate the rising importance of creating and maintaining an effective product-service mix with a definite active part being played by the non-food categories of merchandise.

One recent speech given at the S.M.I. Conference on January 13-14, 1961, points out the importance of concentrating on all aspects of merchandising in the food retailing industry. At the dawn of the supermarketering era, each retail outlet served on an average of 5,000 families. This service figure has dropped to 1,700 families per supermarket outlet and shows signs of further decline as the saturation of the retail market is completed. With the steadily declining patronage per unit of outlet, the merchandisers must pull all stops to boost the average ticket or sales per customer. Non-foods offer one proven effective method of doing this.¹

¹Neal Hathaway, "How the Lowney Approach Contributes to Profitable Progress in General Merchandise," presented at Super Market Institute Inc. Conference on General Merchandise, January 13-14, 1961.

Limitations of the Study

There are some factors which may limit the depth of penetration of this study. The first of these concerns the quality and type of data available on non-food merchandising programs. In addition to being limited, the data on non-food merchandising is well scattered throughout the various food industry periodical publications and related publication sources. S.M.I. is currently trying to launch an effective program to collect and tabulate industry data on non-food promotions, but no concrete results are yet available. It is indeed unfortunate that such a fertile promotional field has received so little concentrated market research effort.

This report will not try to prescribe the methodology by which any particular retail food chain should institute a non-food merchandising program. Many chains have quite adequate systems for their present stages of development. Rather, an over-all observation of the status of non-foods within the present product-service mix, and the increasing importance of quality in non-foods to match the regular product standards is the proposed limitation of this paper. The remarks will be confined mainly to observations on present food industry systems as well as those utilized by related chain organizations. Through these observations, and the review of available data, some concepts for the formulation of an effective non-food program or the reorganization of an existing

program may be formulated by both this author and interested readers.

CHAPTER II

HISTORICAL DEVELOPMENT AND PRESENT

POSITION OF NON-FOODS

Non-Foods Development with the Super Market Industry

As is often true, many people tend to look upon their present problem as unique and entirely different from those recently solved and past. This definitely follows in the observations being made by industry personnel about the present problems and situations evolving from the difficulties of non-food integration. In many cases, they seem to feel that this new horizon has just developed and that non-foods are presenting problems that have not previously been surmounted. With relatively little research effort, the historical development of non-foods would demonstrate how other operators have already solved many of the most perplexing current problems.

Early non-food development.---Almost as old as the concept of supermarkets is that of selling non-foods in the retail supermarket outlets. When the early pre-super market grocery retailers finally divorced their operations from those categorized by the general store, many product lines were still retained that definitely did not come under the heading of grocery food products. Soap chips,

pails, brooms, dusters, sponges, and twine, represent only a few of products retained by the grocery department that now come under the heading of dry grocery product. Thus, in a small way, non-foods have always been a part of the grocery product-service mix.

In a large, more dramatic, but often forgotten way, is the type of integration that actually saw the creation of individualized non-food departments spring into life right along with the birth of the super market. The Big Bear, opened in 1932 in Elizabeth, New Jersey, is one example of mass non-food merchandising. This store was opened in a 50,000 square foot vacated factory building. Actually, only 30 per cent of the total space was devoted to the food business. The rest was devoted to non-food departments which were leased on a percentage of sales basis. These eleven departments included:

1. meats
2. fruits and vegetables
3. dairy products
4. fresh bakery products
5. candy
6. cigars and tobacco
7. cut-rate drugs and cosmetics
8. electrical and radio supplies
9. auto accessories
10. soda and luncheonette²
11. paints and varnishes²

Although all of these departments are not non-food operations, the resulting lease fees still help prove the point that alert merchandisers early realized the profits

²M. M. Zimmerman, The Super Market (New York: McGraw Hill Book Company, 1955) p. 42.

to be gained through non-food selling. The first year's sales receipts totaled \$1,685,876.80 of which 5.13 per cent was turned into the operators of the Big Bear as the percentage of sales lease fees. Considering the total rental obligation of the Big Bear Company was only \$15,000, the resulting profit was over \$70,000.³

Recent non-foods development.---Unfortunately, many of the food industry leaders were slow to visualize the possibilities offered by the supermarket concept and even slower to grasp the significance of non-foods as a highly profitable and versatile product line. It was not until the close of the second world war, as mentioned in the introduction, that the dynamic expansion of the non-food lines really began. A study by Supermarket Merchandising in 1954 clearly shows the important change in non-food merchandising in the six years following the close of World War II. As demonstrated by Table 1, many items such as after-shave lotions, baby creams, lighter fluid, furniture polish, auto waxes and brushes arose from obscurity in non-foods operations to almost 100 per cent integration in all supermarket outlets. (See Table 1, pages 11, 12, and 13.)

Each year new items become standard product line, providing additional gross dollars and net profit returns.

³Ibid.

Table 1.--Growth of Non-Foods in Supermarkets 1947-1953

Non-Food Categories	Percentage of all Supers		
	1947	1950	1953
Health and Beauty Aids			
sanitary pads	67.0	86.4	94.0
shaving cream	56.0	81.9	92.9
cleansing tissues	87.0	90.5	92.6
toothpastes	57.0	83.8	92.5
shampoos	64.0	83.4	92.3
razor blades	68.0	83.0	92.0
toothbrushes	45.0	74.9	91.5
hand lotions	66.0	80.3	91.2
deodorants	50.0	77.7	91.2
absorbent cotton	41.0	75.7	90.6
after-shave lotion			90.6
home permanents		64.9	90.6
first-aid items	44.0	78.0	90.0
hair tonics	47.0	76.9	89.1
hair pins	32.0	71.4	89.1
talcum powder	44.0	75.3	88.6
mouthwashes	49.0	75.4	88.0
headache remedies		75.4	87.1
cleansing cream	56.0	73.4	86.9
hair combs	33.0	71.8	85.2
cough remedies	44.0	66.7	81.3
laxatives	47.0	71.8	81.2
safety razors			78.9
nail polish	32.0	54.6	76.6
hair nets	25.0	53.3	76.3
sundries			76.0
face powder	41.0	62.9	75.1
hair rinse			74.6
surgical dressings			70.9
curlers	21.0	49.1	68.6
chest rubs	34.0	63.5	68.6
lipsticks	30.0	44.3	61.7
patent medicines			65.6
foot preparations			56.3
hair dye			52.3
perfumes			43.7
Baby Needs			
powder		73.0	92.9
baby oil		73.7	92.6
baby lotion			90.6
baby creme			87.1

Table 1 (Continued)

Non-Food Categories	Percentage of all Supers		
	1947	1950	1953
bottles		53.2	83.7
nipples		50.9	81.7
baby pants			60.9
Magazines, Books, Records			
children's books		55.4	72.0
magazines	33.0	36.9	61.1
pocket books		31.1	49.5
records	4.2	8.0	31.1
Soft Goods			
cotton work gloves			63.4
hosiery			60.0
rubber gloves			52.9
men's socks			48.6
children's socks		6.6	48.3
plastic tablecloths		31.5	44.6
towels		19.8	33.2
handkerchiefs	10.6	13.9	28.9
aprons	6.0	7.5	22.9
draperies		8.3	18.9
children's wear	4.2	4.7	9.4
work clothes		4.2	8.3
pillowcases		4.2	8.3
sheets		4.0	7.7
blankets		2.6	6.9
plastic curtains		6.8	6.9
lingerie		3.0	5.7
handbags		2.7	4.9
sandals			4.0
Stationery			
school supplies	42.0	52.0	68.6
inks		53.3	68.6
stationery	34.0	46.8	67.1
gift wraps			58.3
pens			56.6
cards			43.3

Table 1 (Continued)

Non-Food Categories	Percentage of all Supers		
	1947	1950	1953
Paper Specialties			
freezer paper			80.9
wooden spoons			76.5
freezer containers			76.0
paper tablecloths			51.1
taps			49.1
Toys			
toys	10.5	24.6	48.3
games			36.3
Housewares and Appliances			
kitchen utensils		34.6	86.9
electric bulbs	66.0	70.9	83.8
fuses	43.0	57.8	81.4
batteries			79.4
can openers			74.0
cutlery			51.1
ironing board covers			50.3
small tools			30.0
mixers		8.0	19.4
radios		7.6	13.1
house paint		8.0	10.9
freezers		4.1	5.4
washers		2.9	4.6
refrigerators		3.3	4.0
ranges		3.2	3.7
dishwashers		2.3	3.7
Miscellaneous			
candles			69.5
pet-care items			51.5
notions			24.6 ⁴
jewelry		3.2	8.9

⁴"Non-Foods Jump to Major Rank," Super Market Merchandising (January, 1954).

As further evidenced in Table 2, page 15, the volume of non-foods becomes a major factor in the total store volume. The same 1954 study showed that the average super market counted non-foods as doing 11.9 per cent of the total store volume. One-fourth of the stores do 12.5 per cent to 50 per cent in non-foods. Even with these staggering figures, the retail food merchandisers had not realized the full potential of non-food products.

From the early fifties, the importance of non-food dollars in the total retail volume of the supermarkets has continued to increase. The width of the product line and the type of merchandising presentation has constantly improved. In addition to individual firm efforts, there have been national conferences on packaging, advertising, displaying and other important facets of non-food merchandising. Super Market Institute and Chain Store Age have been two of the leaders in these programs. Through this type of concentrated effort, the executives of both the chain super markets and the general merchandise or non-food distributors and manufacturers have fostered the growth of non-foods to their present position of prominence. Also, the basis has been laid for extensive gains in the supermarket selling of non-foods as the industry proceeds through the sixties.

Present position of non-foods.---In 1957 and 1958, the total share of sales enjoyed by the non-foods portion of the supermarket product mix was between 4 and 5 per cent.

Table 2.--Percentage of Business
Done in Non-Foods⁵

% of Total Volume in Millions	% of Company's Volume	% of Store's Selling Area
0.5-1.4	5.8	1.8
1.5-2.4	5.8	3.3
2.5-3.4	5.8	3.0
3.5-4.4	7.2	5.6
4.5-5.4	7.2	1.5
5.5-8.4	8.7	4.5
7.5-12.4	24.7	55.1
12.5-17.4	14.5	15.0
17.5-22.4	5.8	3.0
22.5-27.4	4.4	1.2
27.5-32.4	1.4	0.3
32.5-37.4	2.9	1.2
37.5-49.9	1.4	0.9
50.0-over	4.4	3.6
	100.0	100.0

⁵Ibid.

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In 1959, this total share rose to a solid 5 per cent and the available figures for 1960 seem to indicate that the total volume, as well as the percentage of sales, will again rise. This is in contrast to 1954, when non-foods accounted for only 3.5 per cent of the total supermarket volumes.⁶

If this percentage gain is used as a forecast trend, then it is not impossible to visualize a day in the near future when non-foods may account for 7 to 10 per cent of the total supermarket dollar sales volume. In 1959, the average of over 5 per cent included food operators who did as much as 50 per cent of their total store volume in non-foods. Of course, this average figure also included many operators who did less than 1 per cent of their store volume in non-foods. This again points out the fact that the industry, at the same time, contains operators who are aware of the high potential of non-foods, and those who cannot see the merchandising advantages inherent in the promotion of non-foods.⁷

Figures published by Progressive Grocer put the present non-food volume at upwards of \$2 billion, 200 million a year. An important part of these sales are accounted for by the movement of health and beauty items. The

⁶Curt Kornblau, "Facts and Figures about the Progress of General Merchandise in Super Markets," speech presented at Super Market Institute, Inc., Conference on General Merchandise, January 13-14, 1961.

⁷Ibid.

supermarkets in 1959 sold over 50 per cent of national sales in leading health and beauty items. Thirteen per cent of all phonograph records were sold by food stores. Twenty per cent of total newsstand magazine volume was handled by the food supers. Obviously, the importance of the retail food industry in marketing many non-food product categories cannot be denied.⁸

Future Trends in Non-Food Selling

Sales.--There are two major forces that should continue the increase in non-food sales. The first of these is the increasing consumer preference for shopping in large stores and one-stop shopping. One indication of this preference is shown in the declining number of food retail outlets responsible for more than 70 per cent of the total food store sales in the United States. In 1939, the total number of stores responsible for over 70 per cent of food sales was 112,000. This had been reduced from a high of 120,000 in the late nineteen twenties. In 1948, the number of food stores was 90,200; in 1954, it was 50,325; and in 1958, it was 44,501. The analysis of the 1960 market shows that 39,500 food outlets accounted for \$48.6 billion of over 70 per cent of the total food dollar sales. Obviously, the consumer prefers to find all of her food needs at one location rather than shopping

⁸R. W. Muller, "Where We Stand on Non-Foods," Progressive Grocer (February, 1961) p. 6.

in individual markets for each food product line.⁹

A recent Nielsen study disclosed that, based on an analysis of tonnage sales of thirty important commodity groups, the consumer in 1958 purchased 69.9 per cent of her total requirements in chains and supers. In 1959, the total advanced to 71.4 per cent and in 1960, 72.8 per cent. This again would seem to indicate the preference for one-stop shopping and the possibility of wide consumer exposure to non-foods through the use of fewer and fewer retail outlets.¹⁰

If the non-food producers, distributors and the retail food chain merchandisers were to become fully aware of this situation, one immediate merchandising advantage would become apparent. The use of the distributive systems already developed by the corporate food chains would allow maximum consumer exposure with minimum merchandising expense. The fixed capital investments of corporate food chains incurred by the creation of warehouses, stores, and transport fleets, in many cases, have a high degree of unused potential tonnage capacity. If this unused tonnage capacity were to be utilized by the movement of non-foods through the vertically integrated corporate food chains' distributive systems, there would be two groups of benefactors.

⁹The Consumer Votes, A Research Study by the A. C. Nielsen Company, 1960.

¹⁰Ibid.

First, the corporate food chain merchandisers would be utilizing the fallow capacity with the movement of a high-profit line of product. Second, the non-food producers and distributors would be getting increasingly efficient coverage of a dynamically expanding market. Working together, these two groups should not only be able to improve the customer's selection of product, but the unit cost of many non-food items should be reaching the consumer at a lower figure. This, in turn, should generate more sales which would readily compensate both the producer and the distributor in additional profits.

The second major factor that should enhance a growth trend in non-foods is the way in which the consumer is utilizing her constantly increasing purchasing power. According to some recent survey work done on how the individual utilizes her disposable personal income, the future of non-foods looks very bright. As disposable personal income goes up 1 per cent, the amount of money spent on foods goes up only .8 of one per cent. On the other hand, the amount of money spent by consumers on toys goes up 1.5 per cent. The amount of consumer expenditure on drugs and sundries goes up 1.4 per cent. For example, if a customer has \$80 extra to spend on food, then she will have \$130 extra to spend on non-durable toys.¹¹

This index is the result of a government study in retail industries, such as the May Company and the General

¹¹Hathaway, loc. cit.

Electric franchise outlets. The index may have its own built-in faults, but the important point is the sensitivity of non-food products to the rise in disposable personal income. Obviously, this means that the food chain operator, in order to share in the steadily increasing national standard of living expenditures, must revise his product line to include those types of product which the consumer is most likely to buy with her increasing purchasing power.

To demonstrate the validity of the above predictions, consideration need only be given to one important segment of non-food merchandising. A quick look at the food retailing industry's increasing share of the health and beauty aids sales will clearly show where the non-food potential lies in today's market. Table 3 shows the trend in commodity sales of drug and food stores in the 1958 and 1959 years. (See Table 3 on page 21.)

Two important facts can be learned from such an observation. First, of course, is the tremendous increase in sales in all product categories of the beauty and health aids. This alone should make the manufacturers and retailers aware of non-food's potential in retail food outlets. The manufacturer of a national brand drug product should quickly lose any hesitancy he may have about placing his product before the consumer in the lowly food market. Likewise, the food merchandiser should be hard put to

Table 3.--Trends of Commodity Sales¹² in Drug and Food Stores Total U.S.

	Drug Stores 1959 vs. 1958	Food Stores 1959 vs. 1958
headache remedies	0 %	+7 %
dentifrices	-1	+5
laxatives	+2	+4
shampoos	+1	+2
razor blades	+4	+9
cold remedies	+17	+41
deodorants	+5	+11
sanitary goods	+3	+11
oral antiseptics	+7	+13
hair tonics	+2	+13
home permanents	-7	-12
shave creams	+2	+9
hand care	+4	+5
tape and bandages	+5	+6
toothbrushes	+5	+9

muster any resistance to non-foods in the face of this most obvious demand.¹³

The second observation to be made is that of the reward to be obtained by giving the merchandising of a non-food product category a fair trial. The self-serve drug department is probably closer to becoming a reality in all supermarket outlets than any other department in non-foods. The consumer acceptance of a segregated drug department clearly demonstrates what a concentrated effort on a non-food category will produce in profit and sales. Although

¹²Twenty-Sixth Annual Neilsen Review of Retail Grocery Store Trends (1960) p. 13.

¹³Zimmerman, op. cit., p. 42.

garden supplies, soft goods, and housewares are receiving spotty consideration for separate departmental treatment, there has been no concentrated effort in these areas equal to the treatment given the drug sections. When the merchandising abilities of the corporate food chains are turned to these comparatively new areas, there is no reason to believe that the results will not be as rewarding as those incurred through departmental merchandising of beauty and health aids.¹⁴

Allocation.--Turning from the projected sales of non-foods to the store allocation of the product, the trend again predicts growth. As previously mentioned, some of the early supermarket operators devoted as high as 70 per cent of their selling area to outside agents represented by both food and non-food merchandisers. However, it has not been until recently that the designers and architects, planning the modern supermarkets, have included individual departmental facilities for the integrating of non-foods into the total store product mix. Again, the lessons learned in the merchandising of drugs provided the basis for this new concept. Consequently, the average new supermarket opened in 1959 devoted 10 per cent of its selling area directly to non-foods. This selling area was generally segmented, and departments for individual non-food product lines were supplied. From this selling area, the 1959 new

¹⁴Kornblau, op. cit., p. 8.

supers were realizing about 6.7 per cent of their total store sales.

That the importance of non-foods will continue to increase, there can be no doubt. How the merchandisers integrate the positive attributes of non-foods with those already evident in their food product service mix is somewhat more questionable.

Present Attributes of Non-Food Merchandising

Non-foods a promotional tool.--One of the newly found, but to date little utilized, promotional tools of the supermarket merchandiser is that of the non-foods. Used as a loss leader or a regular weekly feature, the non-food products lines are proving themselves capable of pulling as much traffic as those specials from the dry grocery or perishable departments.

Many arguments have been stated against the probability of having a general merchandise product used in this manner. One of these is the fact that the supermarkets are accustomed to having considerable financial aid in the way of cooperative advertising whenever they promote a particular manufacturer's product. Since the amount of branded merchandise sold in a general merchandise promotion is often relatively small, the manufacturer is unable to extend much promotional aid to the grocery promotion program. The supermarket organization is, therefore, pushed into the position of underwriting most of the promotional expense, and often must develop the

entire promotional program, including the theme and complementary media advertising copy.

One industry report shows that most advertising and promotional expenditures for general merchandise tend to vary from 0.5 per cent to 0.8 per cent of sales. Supermarket expenditures for other major categories account for close to 1 per cent. This does not include stamps or other promotional costs.¹⁵ It seems that expenditures for promotional activities are not governed by sales returns or profit dollars, but by the amount the manufacturer is willing to devote to the selling effort. If this is the case, the jobbers and producers of general merchandise non-food product will have to loosen their purse strings or face a long, hard climb to ever reach the desired position of prominence in the total scope of supermarket merchandising activities.

It is not clear whether this above mentioned deterrent to efficient non-food integration is an argument for the supermarket merchandiser or the non-food vendors. In the case of the supermarket merchandiser, it would seem rather foolish to neglect a product category where a little promotional spending could be so handsomely rewarded. Likewise, the non-food vendor would easily move toward a compromise, realizing that a small loss incurred by giving more promotional support would be more than compensated for by

¹⁵Raymond Loewy Corporation, Super Markets of the Sixties (Loewy Corporation, 1960) Section 1, pp. 104-105.

the additional product movement incurred through weekly exposure to a mass market.

A second argument against the use of advertisements for non-foods is that all stores may not carry the merchandise. Many stores are still physically limited by the space they can devote to non-foods. This forces the stores with adequate home centers to go without promotional aids.¹⁶

The answer to this dilemma is obvious. Many chains are already using informative advertising which points out which retailing locations have the product available. Also, the present trend in supermarket construction and layout is more and more providing the necessary merchandising footage for non-foods.

A third criticism is the type of promotional forethought that now accompanies the majority of supermarket non-food promotions. Much of the advertising is done on a last-minute basis. Frequently, the merchandise will move through the warehouse and into the retail outlets without any forewarning to the store managers. It is not possible to give the non-food product the merchandising treatment it needs when no notice of delivery is given or a last-minute ad appears.¹⁷

The answer to this problem is the same as the answer to any merchandising problem concerned with the promotion

¹⁶ Ibid., p. 105.

¹⁷ Ibid.

of any type of product line. Scheduling is the key to successful non-food merchandising. In the use of non-foods as a promotional tool, one must make sure that he schedules his promotions and items. He must make sure that he has adequate detailed description of the merchandise from the supplier for his ads. He must make arrangements with the advertising department for signs, banners, and streamers or other advertising material needed. Notes to the stores should be made up, advising them of the pending promotion and giving them details so that displays can be planned. If possible, tie-in items and a variety of possible display locations should be given.¹⁸

One company has found it advantageous to devise a monthly calendar to point out possible promotional activities for each month of the year. Their program is as follows:

January	White sales
February	Valentine's Day; Lincoln, Washington birthdays
March	Garden supplies
April	Easter
May	Mother's Day; Memorial Day
June	Father's Day; Picnic supplies
July	Clean-up--spring and summer
August	Back to school
September	Labor Day--Back to school
October	Halloween--Housewares; Bakeware
November	Thanksgiving and Christmas ¹⁹
December	Christmas

¹⁸Martin Latter, "Practical Ideas for Promoting General Merchandise," presented at Super Market Institute Inc. Conference on General Merchandise, January 13-14, 1961.

¹⁹Ibid., p. 3.

This calendar offers promotional possibilities for non-foods in every month of the year. Obviously, the advanced planning will enable maximum sales for each month's promotional efforts.

Finally, the criticism of product quality is given as being a failure of non-foods promotions. If non-foods are used as loss leaders or features, they should still represent a value to the consumer. It is a standing criticism that many stores use the dumping technique when non-foods are an advertised feature. Price is low, but so is quality, and consequently the consumer loses his appetite for non-foods promoted in supermarket outlets.

The answer to this final problem is simply common sense and merchandising control. Certainly a large quick profit can be realized by dumping a product line at a low cost, but the over-all long-run result will be quite unsatisfactory if the practice continues. The high profit margin enjoyed by most non-food products is a desirable addition to the general merchandise mix presented by the supermarket. Only through realistic and fair treatment of both the product line and the consumer can it continue to give present valuable performance.

Past examples might help point out how inadequate these arguments are against the use of non-foods as features or loss leaders when proper merchandising farsightedness is used in building the promotional program.

Albertson's Food Centers in the Seattle and Tacoma, Washington, area recently had an excellent promotion on car anti-freeze. Through careful timing of the anti-freeze promotion with the fall weather, Albertson's enjoyed a sale of over 1,000 cases in one store unit. Albertson's usual procedure on non-foods promotions is to plan for four weeks in advance and to provide many tie-in items to compensate for the profit-loss if the non-food item is utilized as a loss-leader.²⁰

A second example is provided by the experience of Jansen's of St. Louis in opening an I.G.A. foodliner. Mixing bowls and canister sets were used as loss-leaders during the store opening. Albert Jansen, manager of the store and the vice-president of Jansen's Select Foods, Inc., stated that the non-food leaders performed quite well. Over 1,500 units were moved in the first week of the opening, creating a heavy customer count. In addition, Mr. Jansen pointed out that the cost incurred by creating the red-hot price on the bowls was not as great as if a food item had been used.²¹

Over all, the non-foods seem to offer a definite promotional tool when utilized as add features or loss-leaders. With experience comes confidence, and many of the corporate

²⁰ "Albertson's Chain Scores with Housewares Setup," Supermarket News (January 9, 1961).

²¹ "Non-Food Fullers Effective, Less Costly, Jansen's Finds," Supermarket News (February 20, 1961).

chains are now including a non-food item as a part of their regular weekly promotional plan.

Non-foods a profit tool.--It is in the realm of profits that non-foods offer their brightest opportunity. Currently, the trend in the average store layout is from 10 to 20 per cent devoted to non-foods. From this space comes about 6 to 10 per cent of the total gross profit sales dollars. Presently, about 27 per cent of our super markets have a separate non-foods section for all non-foods. From these departments, the stores will realize as much as a 31 per cent average profit on gross sales.²² As shown in Table 4, many non-food items carry an exceptionally high mark-up. This can be demonstrated by comparing the product group mark-ups with the figure of 20.5 per cent which represents the average gross margin of grocery products for chains selling in 1958.²³

Table 4.--Non-Food Gross Profit Percentage On Product Categories for 1958²⁴

Department	Dollar Sales	Percent of Total Sales	Percent of Margin on Sales
Health & Beauty Aids	\$23,000	2.30 %	32.5 %
Housewares	9,200	.92	33.0
Magazines & Books	5,800	.58	26.0
Soft Goods	5,400	.54	31.9
Toys	3,500	.35	33.2
Phonograph Records	3,000	.30	28.4
Stationery	2,300	.23	41.0
All Non-Foods Average			
Super Market 1958	\$52,000	5.20 %	31.0 %

²²"Better Merchandising Doubled Our Magazine and Book Sales," Progressive Grocer (April 1959) p. F-13.

²³Wilbur B. England, Operating Results of Food Chains

The profit addition to a supermarket merchandiser's mix is most obvious when we look at a National Association of Food Chains study made in 1958. The study points out that the relative amount of non-food items sold affects the gross margin materially because of the much higher mark-up placed on such items. For example, if grocery products were being sold at an average mark-up of 17 per cent, and if non-food items, with a mark-up of 35 per cent were subsequently added, total net sales of 95 per cent grocery products and of 5 per cent non-food products would produce a gross margin of 17.9 per cent. This shows how influential the addition of non-foods can be on the total produce mix and gross margin return in a food merchandising organization.²⁵

In order to obtain these higher-than-average mark-ups and still maintain the desired consumer demand for non-food product merchandised in supermarkets, the supermarket merchandisers can resort to either of two pricing theories.

The first of these is the "full-price theory," in which the mark-up on product is maintained at an average of 35 per cent. This is done by two methods. First, the operators can carry low-ticket items in the non-food section to give the image of general low prices. Second, there is

in 1958 (Howard University Press, 1959) p. 11.

²⁴"Better Merchandising Doubled Cur Magazine and Book Sales," loc. cit.

²⁵Julian Handler, How to Sell the Supermarkets (Fairchild, 1959) p. 44.

constant promotional activity going on in the department which draws the consumer's attention to the department's selling area. Tie-in product and impulse sales more than compensate for the markdown which must be taken on the feature item.

The second theory is the "low ticket" theory, which reduces the average margin to 28.5 per cent. The group of merchandisers using this policy does not specialize in low price features on loss leaders. Rather, they claim that they are using the supermarket principle of mass merchandising. First, they try to impress upon the consumer that he will receive lower across-the-board price on all products, hence extending the supermarket theory of merchandising. Second, they believe that this policy of lower price will attract the additional patronage necessary to achieve by volume what the followers of the full price theory achieve by price. So far, this theory has not proven to be adequate, since the "low ticket" policy users are only obtaining about 3.5 per cent net return and the "full price" theory merchandisers are realizing upwards of 4.0 per cent net profit.²⁶

Regardless of the pricing methodology utilized, it can safely be said that the markup enjoyed by the general category of non-foods is substantially above that of the regular grocery merchandise. Also, the additional profit

²⁶Loewy, op. cit., p. 100.

margin allows the merchandiser more freedom of price movement and, thereby, creates a very feasible merchandising weapon.

Non-foods offer added variety as a merchandising tool.--

Non-foods can offer depth, width, and interest to a supermarket's merchandising approach. The first of these categories (depth) is developed by catering to a particular marketing area's characteristics. For example, if a neighborhood or marketing area is known for its fishing and recreational activities, then the non-food department can cash in on sales of items such as boat hats, fishing equipment, swimming equipment, and picnic supplies. Adjusting to a market particularization is an excellent way to build the store's non-food volume.

The attribute of width is obtained by carrying a wide line of product. Many authors have written about the importance of impulse sales in supermarket merchandising. With a wide variety of non-food product displaying a multitude of choices in color and style, the non-foods department is going to attract many extra sales dollars from those all-important impulse sales. The merchandise is available in abundance, and the innovative ingenuity of our supermarket merchandising personnel should be able to capitalize on the consumer's impulse buying habits.

Finally, the prospect of interest is also an important component of non-food merchandising. Some day the consumer who has seen everything and understands everything may

evolve, but until then the non-foods sections of the food stores will continue to captivate the interest of the consumer through the consumer's own natural curiosity. What is more interesting, especially to the male partner on the weekly shopping tour, than a thirty foot section of shelving loaded with the latest and some not-so-late do-it-yourself gadgets? Frequently, these product lines can be in the lowest product price line and still carry above a 35 per cent mark-up in profit. Even the lady of the family will stop each week if she learns that the management keeps fresh product lines on the shelf and that she can depend upon the department's having her household small hardware needs.

If the concept of multiple sales to a single customer is to remain as the core of our supermarket merchandising theory, then non-food products can be instrumental in maintaining the multiple sell idea. Non-foods through the types and varieties available for sale are especially well fitted for the type of impulse merchandising that is becoming increasingly important in supermarket selling.

One final advantage of non-food merchandising is the creation of competitive equity. Unfortunately, many of our supermarket outlets are in the non-food business merely because they feel that they need to keep pace with their competition. This is probably one of the reasons that there has been a hesitancy on the part of supermarket management to accept non-foods on a wide scale. The people

responsible for formulating and implementing the non-foods programs are only trying to look good and keep up with the competition. This type of activity has killed creative merchandising thought and left much of the industry in the wait-and-see follower's club.

Nevertheless, the creation and maintenance of a non-food department will give the supermarket a competitively equal base upon which it may build its merchandising scheme. History is probably on the side of the non-food vendor. That is, as the alert supermarket merchandisers learn from experience what merchandising benefits can be derived from an aggressive non-food policy, they will use this tool more often in the formulation of their merchandising programs. The not-so-alert will soon follow when it becomes evident that their lackadaisical attitude may leave them in their competitor's dust.

CHAPTER III

MERCHANDISING TECHNIQUES--FOODS VS. NON-FOODS

The importance of non-foods and the pattern of growth which they now have and will continue to follow having been established, it now seems important to investigate both the type of merchandising presently being utilized on non-foods and the consumer acceptance of, or reaction to, such merchandising. Particularly the consumer reaction to the quality of non-food product offered should be investigated. Also, the difference in approach to promoting food versus non-food items must be considered to see if the incongruity in merchandising techniques utilized on food versus non-food categories is creating undesirable consumer images of both the food chain and the non-food department.

General Grocery Merchandising Policy

Realizing that the super market operation may only survive if it has the ability to impress upon the consumer the image of wide selection, quality merchandise, reliable quality, and convenience, supermarket merchandisers have concentrated their promotional activities in these areas. These promotional tools, in turn, provide the high customer traffic count which enables the supermarket operator to

sell not only the product on the consumer's shopping list, but also the wide variety of impulse items that are displayed throughout the store.

In order that the supermarket merchandiser might first establish this necessary traffic flow, the consumer's confidence in quality staple goods must first be gained. Here, national brands and standardization of quality of private labels become of major importance. The supermarket merchandiser relies upon the consumer's knowledge of this product to help him in his attempt to promote heavy store traffic. The merchandisers utilize this consumer knowledge by low pricing of the known brands and standardized staple products. These offerings, along with a wide and deep merchandise assortment, give the consumer the confidence in a store because it enables her to choose and compare.

These above facts pertain to the dry grocery operation, but of course not to the perishable departments, where little or no pre-selling of the consumer can be done. The personality of the store will frequently rest on the ability of the corporate food chain's staff to provide the various retail operations with quality retail product for the perishable departments. Nothing can destroy the shopper's image of a store more quickly than the poor quality of dairy, produce, or meat product. Along with poor quality, the lack of merchandise in a standard product line such as milk, lettuce, or ground beef can also destroy the image of reliability.

The food chain merchandisers realize that the important question in their retailing activity is the problem of establishing a unique consumer image. They must accomplish this consumer confidence by the utilization of the following merchandising tools:

1. The use of pre-sold national brands or private labels which may be promoted through pricing.
2. Maintaining a constant supply of product to assure the consumer of one-stop shopping.
3. Carrying a wide variety of product containing both width and depth in individual product categories.
4. Carrying merchandise that is packaged for convenience of use and standardization of unit size.
5. Carrying product that has quality equal to or in excess of the competitor's products in the same price range.

When every supermarket is laid out in the same fashion and the product line carried by each is quite similar, adherence to the above principles for dry grocery and perishable products has been a definite merchandising prerequisite. Although these above considerations do not constitute all of the facets of supermarket operations that create competitive inequalities or advantages, they do constitute the important aspects of product merchandising and presentation. All of the product carried by the supermarket must either fit the above stipulations or it will detract from the over-all merchandising image. Generally speaking, the dry grocery and perishable product fits well into most merchandising operations because of

the conscious or subconscious use of these above principles when fabricating the imputing process of a product or product line for implementation in an established product mix.

Non-Food Merchandising Policy

Due to many factors, the merchandising techniques utilized in promoting and selling non-foods deviate from the established food product policies. The type of product represented by non-foods and the methods of merchandising differ so much that the grocery merchandisers are not quite sure how to induce the non-food product into the merchandise mix without disrupting their all-important consumer food image. Rather than treat the non-food product lines as an additional department with emphasis on the traditional product qualifications, the non-food merchandisers have been shoved into a catch-as-catch-can basis.

Methods of non-food procurement.--One of the main factors contributing to the confusion on non-food merchandising is the variety of methods by which the food chain operators procure their non-food product. There are five main channels of non-food distribution through which the non-food products reach the store. A present-day chain operation may utilize any one, or possibly all five, of these distribution methods in acquiring their non-food product.

Concessionaires.--One method by which the non-food product may enter the supermarket merchandise mix is through

the use of concessionaires. This is a system whereby the supermarket operator will lease a certain amount of selling floor space to an outside person or firm. This firm will be responsible for setting up and maintaining the non-food department. This department will be self-contained, and the sale or purchase will be closed in the department, eliminating the necessity to collect for the non-food items at the checkout.

The disadvantages of this merchandising approach are many. The store manager has little or no control over the quality or variety of product offered by the concessionaire. Also, it is up to the other departments in the store to carry the weight in the advertising and promotions to draw the necessary heavy volume of traffic. If the store is a single unit of a multi-unit chain, the opportunity of tie-in promotions are not available, since each leased department will be handling its own particular line of merchandise. The type of merchandise handled by the concessionaire could easily destroy the attempt by the market management to build up a favorable consumer image. This could be done by either lack of product variety or selling sub-standard merchandise lacking quality.

Food wholesalers.--The general food wholesaler is a second pattern by which the non-food product may enter the retail merchandise mix. This is a method through which most of the independent and small chain supermarkets receive their product. A food wholesaler non-food distributor

is usually an old-line wholesaler who has gone into the merchandising of non-foods to provide his clientele with merchandise variety. His primary interest is with his regular grocery line, but he carries the non-food product to retain trade that would go elsewhere if such a service were not offered by him.

Since the wholesaler is not using the non-food product as a main source of income, his treatment of the product and merchandising approaches are far from adequate. Under this system, it is the responsibility of the individual store manager to decide what he wants to merchandise and how he will display the product. No counselling or in-store services are available. Service generally terminates with the delivery of the product to the store receiving door, and so does the effectiveness of the non-food program.

The retailer under the general food wholesaler non-food distribution plan is again faced with the problem of product quality and variety. The product quality is limited by the ability of the wholesaler buyer and the variety by the fact that the wholesaler is only carrying the product as a convenience item. Again, this breaks the continuity of presentation in the retailer's attempt to create a desirable merchandising image.

Special wholesalers.--A third method of acquiring non-food product is through the use of special wholesalers. These wholesalers are similar to food wholesalers in operating methods, but they do not carry a regular line of dry

grocery product. They are specialty houses concerned mainly with the merchandising of one particular product line, such as drugs, pet supplies, soft goods, housewares, and toys. Generally speaking, these men are masters of their given fields and can be a real aid to the store manager in merchandising a particular product.

This asset of product specialization, however, is more often than not a disadvantage to the supermarket operator. If the store management is to utilize this type of non-food acquisition, it means many man hours must be spent to assure the store adequate non-food product. The merchandiser must devote a good part of each week to consulting with any number of different wholesaler representatives depending upon the number of product categories which he chooses to carry. Consequently, some other aspect of the operation will suffer from lack of proper management supervision.

One other disadvantage is the fact that little merchandising or promotional capital is offered by the specialty houses for advertising purposes. Much the same as the general food wholesalers, these specialty wholesalers rely on the store management through regular food promotional activities to draw the desired store traffic. This again means that the non-food products are riding the image provided by food promotions without adding any impetus of their own to the store or chain merchandising program.

Rack jobbing.--The use of the rack jobbing system of acquiring non-food product carries the work of the specialty wholesaler one step further. Under this system, the supermarket merchandiser receives the services of both an expert in distribution and an able merchandiser of non-food product. Although the rack jobber is not always effective and is a highly controversial method of distribution for non-foods, some of the following are advantages that may be enjoyed by the supermarket operator utilizing the rack jobbing system:

1. The rack jobber has special training.
2. The jobber saves the chain a capital investment.
3. The jobber is a labor saver.
4. The jobber guarantees all merchandise and absorbs all markdowns.
5. Any unit on split cases is available, saving inventory cost and tie-up.
6. The jobber is aware of new products, as well as trends in the market, before the chain merchandisers.
7. The jobber absorbs the cost of billing,²⁷ transportation, warehousing, and pricing.

With the special training the rack jobber has, he is better able to merchandise the non-food department. He understands the importance of product movement and display techniques. Good product knowledge and the awareness of the local market will give the interested rack jobber good sales results.

²⁷ J.A. Slater, "The Operations of the Non-Foods Rack Jobber in the Retail Grocery Trade," (Unpublished Thesis for Master's Degree, Michigan State University, 1956).

No inventory is needed at the store or warehouse level when the rack jobber is handling the department. He eliminates loss in markdowns by being aware of the general sales trends on all non-food items. If the product is not moving in one location, the rack jobber can replace the product with a new line and move the slower line to a more advantageous retail outlet where the marketing climate may be different.²⁸

All merchandise is fully guaranteed by the rack jobber. The markdown on unseasonable, out-of-date, and dead items is taken by the jobber. Special promotions on in-and-out deals or one-shot promotions can be used without the store manager worrying about the balance of the product being marked down.

Split units are also available from the rack jobber. The store need not order in large quantities to have a good variety in their non-food department. This means that if an operator has several food customers for whom he needs to carry particular items in order to keep their trade, he may do so without getting out of balance in inventory.

One big advantage is that the jobber is constantly trying out new products. He keeps the non-food departments bright and alive by adding, weekly, new and unusual gadgets. With his good knowledge of the product field and his wide distribution pattern and number of buying contacts, he frequently is aware of new products before even the grocery

²⁸Nathan Kelve, "Rack Jobbers Prove Out as Merchandisers," Printers Ink (August 13, 1954) p. 23.

merchandisers have been contacted. He also would probably be more inclined to take a chance on a new item than would the usually somewhat conservative grocery merchandiser or buyer.²⁹

Finally, the rack jobber, if he is correctly utilized, becomes an all-around cost saver. Transportation, labor in stocking and pricing, billing, and special promoting are all cost savings instituted by the use of jobbers.³⁰

Of course, the rack jobbers are not without their drawbacks as a source of non-food product. The following is a list of their major faults:

1. The rack jobber produces a lower average markup than direct purchasing.
2. Personnel problems plague the rack jobbing industry.
3. Promotional material is not always acceptable.
4. Quality of product can easily slip or be initially inadequate for the store merchandising image.

Concerning profit, the rack jobber carries an average markup of from 15 to 27 per cent. This markup, in contrast with well over 30 per cent for self-distributed non-food merchandise, represents the service charges gained by the jobber for the service he provides. This is one of the main points of argument for the advocates of direct purchasing. They claim that the chains could save much of the margin that the jobber takes as his operating cost,

²⁹Ibid.

³⁰Ibid.

and also receive the manufacturer's rebates and allowances.³¹

Personnel problems also detract from the effectiveness of the rack jobbing system. Turnover in the store contact servicement can easily destroy the merchandising value of non-foods rack jobbers. Lack of having the necessary training and a failure to understand the basic principles of merchandising detract from the service of the jobbers. Constant policing on the part of the store management is sometimes necessary if an attractive orderly department is to be maintained.

Promotional material and product are not always seasonal. This again is the result of poorly trained merchandisers at the store level. It frequently is the case that the store manager has to push the jobber to get him to realize that turnover is more important than merely loading up the department with product. However, this does happen, and the manager finds himself with a department crammed full of slow moves.

Finally, quality of product can be the most important aspect in properly merchandising the department. If the manager is trying to maintain a store image of quality, nothing is so derogatory as an inadequate non-foods section. Again, with the inability to control the jobber's product quality except by refusal at the store level, the

³¹"Non-Foods Jump to Major Rank," Supermarket Merchandising (January, 1953) pp. 110-120.

supermarket operator is handicapped in his attempt to adequately present a homogeneous image in quality of product sold.

Direct purchasing.--A fifth and final method of obtaining non-food product is that of direct purchasing. Under this system, the factory or jobber salesman contacts directly the company purchasing agent, whether he be the buyer or the grocery merchandiser. The product, when purchased, is delivered directly to the chain or company warehouse and follows the distribution pattern that has been developed by the regular food product lines. All problems of merchandising and promoting the non-food product are handled by the purchasing company's personnel. Also, all merchandising functions will be paid for by the purchasing company and must be billed against the markup of the product.

In this type of merchandising situation, the main problem of the chain non-food merchandiser is to eliminate the undesirable suppliers. There are certain basic guides that the non-food merchandisers can follow in purchasing product. The following rules, when closely observed, make the direct purchasing method of obtaining non-foods practical when the food merchandiser buys through a non-food broker or agent. The supplier must:

1. Have quality merchandise that will satisfy the needs of customers.
2. Be counted upon to supply the necessary amounts of merchandise.

3. Be in sound financial condition.
4. Have favorable prices and terms of sale.
5. Give good delivery service on specified dates.
6. Make adjustments on all reasonable complaints.
7. Be fair and honest in their dealings.
8. Have management which is progressive.
9. Deliver merchandise identical with their samples.³²

Along with the basic guides for direct purchasing of non-foods comes a set of regulations that could pertain to any non-food program. These functions are present in all plans of marketing and must be considered when merchandising any type of product. These functions must be carried out whether it be by the store, the chain, the rack jobber, or any type of distribution pattern.

1. Buying, selecting and pricing merchandise.
2. Furnishing capital for inventories.
3. Warehousing.
4. Price marking.
5. Breaking shipping lots down into smaller store units.
6. Maintain movement records and billing.
7. Deliver orders to retail stores.
8. Order merchandise for racks in store.
9. Display merchandise in stores.
10. Straighten, clean, and maintain racks.

³²D. J. Duncan and C. F. Phillips, Retailing (Chicago: Richard D. Irwin, Inc., 1951) p. 263.

11. Rotate position of merchandise.
12. Remove slow-moving and broken items.³³

In consideration for the comparative advantages of the direct purchase system, the following points were made in Super Market Merchandising in 1953:

1. Supermarkets should retain the high markup on non-foods.
2. Jobbers do not treat the racks with the same care as would the supermarket operators.
3. Chain distribution would speed up the rotation of "cluds."
4. Chains already have warehouse and transportation systems.
5. A flexible pricing policy may be maintained on all items not fair traded.
6. Supermarket efficiency is greater than that of the rack jobber.³⁴

Considering the first advantage, there is definitely a mark-up gain in handling the non-food product in the chain warehouse. The average mark-up for the product merchandised through the warehouse is 31 per cent and higher. Considering the average mark-up on the dry grocery line to be around 19 per cent, this is a very favorable picture. With the increasing importance of non-foods as a percentage of total store business, this 31 per cent could quickly pull up an over-all store average.

³³Val S. Bowman, "Health Profits from the Beauty Spot in Today's Supermarket," Supermarket Merchandising (January 1953) p. 109.

³⁴Nathaniel Schwartz and Richard G. Zimmerman, "Non-Foods Bring in Plus Profits," Supermarket Merchandising (November 1953) pp. 78-80.

It is often stated that the jobber tends to give less care to the rack than would an interested member of the store staff. Since the rack jobber is only interested in volume, he will tend to load the counter with all types of merchandise, frequently including slow-moving product. This defeats the purpose of merchandising non-foods or any other type of supermarket product. It has been postulated that the warehouse distribution would force merchandise turnover through a constant marking down and, consequently, a moving out of the old product.

Food chains already have established their warehouse and distribution as well as transportation systems. They now have the equipment and the personnel necessary to handle the additional volume that non-foods would provide. Also, the inventory control programs that maintain chain supplies at satisfactory, yet minimum levels, are already in operation. Chain merchandisers have the advantage of a weekly recap on all product movement and, thereby, can quickly sort out the slow movers and restrict buying and inventory tie-up. This would, of course, incur turnover, which is the key to all supermarket merchandising.³⁵

A more flexible pricing policy will enable the merchandisers to include the category of non-foods in the weekly sales plans. Also, a merchandiser can be sure when he runs his sales plan ad that all stores will have the

³⁵E. B. Weiss, "Where Does the Rack Jobber Stand?" Advertising Age (January 11, 1954) p. 70.

merchandise and appropriate in-store display material. In addition, the merchandiser can take advantage of the advertising allowances that are made available through factory salesmen. Continuity programs that have the ability to draw and hold the consumer for several weeks can be instituted, since there is a guarantee of product supply from the chain warehouse.

The last point for the advocates of direct purchasing is the lower cost of handling non-food merchandise in the channels already developed by food distribution. The claim is that greater efficiency in handling will facilitate greater profit margins on non-foods. Also, experienced personnel would give better treatment to semi-perishable non-food product.

In contrast with the points already discussed, there are some disadvantageous aspects in the direct purchasing procedure. They are the following:

1. The chains must absorb markup.
2. Transportation, warehousing, billing, and promoting can be hidden costs that must be billed against the supposedly high markup.
3. Personnel problems at both the store and office level may make the total assumption of non-food merchandising procedures impossible at this time.

The absorption of markdowns can take several forms. Seasonal items, as well as outdated and shopworn merchandise, must be disposed of by markdowns. There is frequently a problem in getting the store manager to mark the

product down, move it out, and fill the display locations with new fast-moving merchandise. The managers are usually so worried about their retail balance position that they hesitate to take the needed action.

Even though the transportation, warehousing, and billing procedures may be established entities in the chain system, the additional load of handling the non-food product is bound to add costs to these respective operations. All of these operational costs must in turn be billed against the profit margin of the product.³⁶

In light of the rapid development of the non-food industry, the chain merchandising system has had little time to develop any specialized personnel with the ability to adequately merchandise non-foods. With this lack of trained personnel, a complete switch to a warehouse and direct purchase system would probably create chaos in a chain's non-food merchandising program. Obviously, nothing is gained if variety and whatever quality the jobbers are now supplying is sacrificed for markup.

Methods of non-food merchandising.--In addition to the variety of methods of non-food acquisition for retail supermarket distribution, the non-food product may also be integrated into the regular food product mix by a variety of merchandising techniques. This again leads to a somewhat different merchandising philosophy for non-foods and may create inconsistencies in a food supermarket

³⁶Ibid.

merchandiser's approach to creating a favorable public image.

The in-and-out promotion.--The in-and-out method of merchandising is one approach to selling non-foods. Under this type of program the product is placed in the store for a very limited time. No attempt at maintaining a constant supply of the product is made. In a chain store operation, each store is allocated a certain amount of product which may or may not last through the stipulated selling period. If the allotment does last through the planned selling period, the balance is removed at the end of the period. No attempt is made to supply the product on a regular basis after the program is terminated.

The chief disadvantage of this type of merchandising is that the customer will not find a continuous supply of product if he desires to make a second purchase. This detracts from the consumer's over-all image of the store as being the place where variety of product and consistency of supply are adequate. Also, since the product must not stand upon its reputation, but only on its ability to create impulse sales, the quality is frequently not of a level equal to other merchandise in the store product mix.

Continuity programs.--The continuity program is somewhat like the in-and-out promotion, except that the period for which the promotion will be run is longer in duration. Cutlery sets, cookbooks, science encyclopedias,

and cooking ware sets are examples of products which are used in the continuity program. One item in the set is usually promoted at a very low price or with free trading stamps during the first week of the program. Each successive week another piece of the set is offered for sale until the consumer can complete the entire group. In this manner, the consumer is forced to return each week of the program to get the additional item.

The product quality is usually more acceptable in this type of promotion. However, the program frequently runs into supply problems, and the customer may be forced to make several trips to the market before she can complete her set. This type of promotion does not detract from the store personality or image of variety and quality quite as much as the in-and-out promotion, but most programs could be improved in the value and reliability of product supply.

Regular merchandise lines.--Of course, the non-food product may be distributed in a regular fashion with standardization of product and packaging as well as reliability of supply. The only deviation from regular food supply procedures is the fact that the non-food product may carry a guaranteed sale provision. Since the availability of a national brand in many non-food categories is practically nil, the guaranteed sale provides the necessary merchandising tool for the non-food broker.

Unfortunately, the non-food guaranteed sale plan can be more hindering than helpful. It must be recognized that

the expense of gathering and returning unsold merchandise can prove costly in this low-profit field. Likewise, the buyer or merchandiser may tend to overlook the saleability and quality of the product in order to take advantage of the guaranteed sale proposal.³⁷

Type of product available.--In addition to variety of acquisition procedures and types of merchandising approaches utilized by non-food sellers, the types of product available for sale in supermarket non-food operations are not always congruous with the standards utilized for merchandising the food product lines. This variance in quality and variety is postulated by the critics of non-food operations to be highly damaging to the average retail food operation image.

National brands.--One problem in the type of merchandise available for non-food operation is the lack of national brand representation in the non-food category lines. With the exception of the health and beauty aids department, little progress has been made in attracting national brand product to the non-foods department. Any operator can now purchase directly his health and beauty needs and also obtain figures on the best-moving items and lines to guide him in his selection.

Generally speaking, the manufacturers of the nationally advertised lines were most hesitant to release them to supermarkets because of repercussions they would get from their wholesalers and direct customers. It is only in the

³⁷Handler, op. cit., p. 121.

last few months that a couple of national manufacturers have released their lines to the supermarket industry. The very same action occurred years ago in the health and beauty aids department. In time, the manufacturers such as those in the soft goods industry will realize that a great potential exists for them in the supermarket field. The result will see national brands in abundance in the non-food departments.³⁸

When the manufacturers realize that they no longer can utilize the supermarket as the dumping ground for low-end merchandise, the grocery merchandiser will be able to bring his product quality in non-food merchandise up to the standard of the entire store operation. The result will be an upgrading of the non-food department and the store operation as a whole.³⁹

Private labels.--Although programs have been slow to date in developing the private labels on non-food product, this area seems to hold some potential for improving the type of merchandise which will be offered in non-food departments. In the soft goods industry, a private label goods program exclusively for supermarket distribution will be launched in March by the Nation's Super Market Apparel Distributors of America.

³⁸Alfred Traub, "Sources of Supply for the General Merchandise Department," Supermarket Merchandising (March 1961) Section II, p. 19.

³⁹Ibid.

N.A.S.A.D. is comprised of ten soft goods and apparel merchandisers who service supermarkets across the country on a regular basis. They plan to emphasize quality merchandise in men's and boy's underwear. Their label will gradually be extended to other product lines as national manufacturers make quality product available for their distribution proposal.⁴⁰

If this trend continues to develop and spread to other non-food fields, the supermarket merchandisers will soon have the quality product in either national or private label that the quality-conscious consumer of today's supermarket industry demands.

Basis of present consumer acceptance of non-foods.--

The basis of present consumer acceptance of non-foods is also somewhat different than that of general food product lines. Although consumers have long been known for their impulse habits of shopping, this type of merchandising is exceptionally effective in the non-foods department. This is not to say, however, that the consumer will continue to follow her present pattern of shopping habits.

The importance of impulse sales.--The importance of impulse buying has been indicated by Du Pont through its film department. The most recent study shows that the percentage of impulse buying is at 70.8 per cent for all supermarket items. Of further significance is the fact

⁴⁰"Private Label Soft Goods Program Set," Supermarket News (January 30, 1961) p. 31.

that non-foods items were responsible for a far higher than average percentage of impulse buying, 90 per cent. Further product category studies developed show the following impulse shopping rates.

Du Pont Study of Impulse Buying of Non-Foods⁴¹

Toys	93.2 %
Household textiles	92.9
Nylons	90.9
Plants and flowers	89.3
Sponges	88.4
wearing apparel	85.0
Housewares	83.1
Drugs and toiletries	77.5

Additional studies by the Nielsen Company show non-foods to stand high in the impulse sales ranking of customer supermarket shopping habits.

Grocery Store Products Classified by Importance of Impulse⁴²

Buying:	Average % of Impulse Buying:
Candies, cookies, crackers snacks	71 %
Miscellaneous non-foods	68
Frozen food	59
Household needs	58
Groceries	56
Baked goods	55
Beverages	46
Produce	46
Meat, poultry, fish	44
Dairy products	43

Seemingly, these studies would prove that non-foods sales depend upon the impulse purchases of the consumer and in turn upon the merchandising ability of the supermarket

⁴¹Handler, op. cit., p. 19.

⁴²The Consumer Votes, A study by the A. C. Nielsen Company (October 1960) p. 11.

operator with little pre-selling of product possible.

How the image may change for non-foods.--Upon first glance, the above facts may tend to disprove the feasibility of introducing private label or national brand non-food product into the supermarket non-foods departments. Three factors immediately come to light to refute this idea.

First, as is demonstrated in the Du Pont study, the more the consumer knows about the non-food product, the less likely she is to be an impulse shopper. The purchases of toys show a high impulse rate because of the consumer's basic unfamiliarity with toy lines or brands. However, when the consumer chooses the health and beauty aids for the weekly shopping list, the knowledge of brands and product reliability starts to show through, and the impulse index rating falls to 77.5 per cent. Granted, this rate of 77.5 per cent is far from desirable, but realizing the limited time that health and beauty aids or any non-food category has had to establish itself in the supermarket customer's mind, the trend to known reliable brands seems evident and significant.

Second, the Nielsen Study demonstrates that the consumer is definitely product and brand conscious. As the consumer progresses through her shopping list, the items that are weekly or bi-weekly purchases receive the lowest impulse rating. This would include the dairy, baked goods, and dry grocery categories. However, as she proceeds to purchase product with which she is less familiar

such as non-foods and snacks, she reverts to impulse shopping. Again proving that known product can be and is being presold to brand and quality conscious consumers.

Third, a study by the Nielsen Company on national brands proves the value of merchandising to the quality demand of the consumer. In the survey of 73 product categories, the consumer purchased through chain supermarket outlets over 70 per cent national brands. This trend has remained steady since 1958 and probably will continue to be at this level.⁴³

If we can rely on these indices as a barometer of the consumer's shopping atmosphere, then obviously the consumer's image of non-foods will change as she becomes more and more accustomed to satisfying her non-food requirements at her favorite supermarket. She is going to demand the same quality and reliability of product that she demands in all of her grocery shopping needs. This consumer desire will change the present image of supermarket non-food operations.

The rising importance of quality.--The undertow for increased non-food quality can already be recognized in several areas. The previously mentioned activities of the N.A.S.A.D. are one example of this increasing awareness.

A second example of the awareness for increased quality of non-foods can be found in the activities of the Super Market Institute conference on General Merchandise

⁴³Ibid.

in January of 1961. In John R. Hertz's summation speech on the meeting's activities, he had three significant passages:

First, there was agreement that the general merchandise department, in one form or another, will continue to be a part of the modern supermarket, and that, if anything, its sales volume will grow at least as rapidly, if not more rapidly, than total store volume.

Secondly, there seemed to be general agreement, and strongly expressed, that in making any decisions about the future of the general merchandise department, we must be forever alert that we do not lose sight of the fundamental objective of our business. We should never forget that we established our reputation and built the image of our companies as merchants of quality foods, and that any tinkering with this image must be done as a result of careful and conscious planning, lest we run the danger of damage to that which we have spent a lifetime in building.

Third, if there is a lesson to be learned from non-food development, it would be this: We must be forever watchful to control the quality level of our assortment and to be on the lookout constantly for the opportunities for further upgrading. I would say that attention to quality is one of the most important earmarks of a successful merchant.⁴⁴

A third sign of awareness in the supermarket industry over the importance of non-foods and their qualities is demonstrated by a S.M.I. survey taken of new supermarket operators. The managers and supervisors of new supermarkets opened in 1959 were asked what they considered the most outstanding distinctive feature of each new supermarket. Of the merchandise departments cited as the

⁴⁴ John R. Hertz, "Summary and Conclusions," Unpublished speech presented at Super Market Institute Inc. Conference on General Merchandise (January 13-14, 1961).

outstanding feature, about four out of five are foods and one out of five are non-foods. Only bakery was mentioned more frequently than non-foods.

<u>Distinctive Feature</u>	<u>Percentage of Mentioned</u>
Bakery	28 %
Non-foods	19
Delicatessen	11
Lunch counter	10
Meat	7
Produce	6
Seafood	4
Other	15
Total	100 % ⁴⁵

If the supermarket operators, or those men who have the chance to closely observe the consumer's reaction to new merchandising techniques, recognize the value of integrated non-foods, then we cannot deny concern for the type of product that will flow into these non-food operations.

Finally, the non-food manufacturers themselves are eager to provide the quality of product which they feel the consumer will demand as they become accustomed to supermarket shopping for housewares. They feel that there is altogether too much emphasis on price, rather than on quality and service. They feel that their product can be upgraded without destroying the favorable price structure that has boosted non-foods to a role of prominence.⁴⁶

⁴⁵Kornblau, op. cit., p. 9.

⁴⁶"Housewares Activity Up in Chain Supermarkets," Editorial, Chain Store Age (January 1961) p. 101.

It seems that the entire non-food industry is well aware of the rising importance of non-food quality. Also, they are aware of the basis for the consumer supermarket image. If the supermarket operators are to maintain the customer goodwill which is brought about by a combination of advertising, promotion, and consumer satisfaction with a product, the quality problems inherent in the present non-food operations must be solved.

CHAPTER IV

HOW THE CHAINS MAY MEET THE NON-FOOD QUALITY CONTROL PROBLEM

Realizing that methods of merchandising, type of merchandise available, methods of acquiring non-food product for retail sales, and a lack of industry standards on product quality differentiate the distribution, promotion, and sale of non-foods from those practices already effective and operative in the food products field, the promoters and merchandisers of non-foods in supermarket outlets must devise methods of quality control applicable to non-food product lines. This must be done in order to preserve the effectiveness of present food store images which are based on price, variety, and, above all, quality.

Control Methods Utilized by Other Non-Food Chains

One area of non-food quality control knowledge that could be tapped for use in constructing adequate food chain control programs is that of the related variety and department store chains. Many of these related non-food chain operations have devised effective control programs that could readily be adopted or revised for chain store use. The food industry can gain from their experience.

Highly trained personnel.--It has long been known that the department stores have relied upon the ability of the general merchandise buyers as a strong arm in the control of product quality. As the buying function is utilized in the department store industry, the buyer is a specialist in his particular buying field. Rather than try to create general buyers or merchandisers, the department store industry has devised a product procurement system whereby each buyer is responsible for a limited product category. Therefore, he is able to become an expert on the saleability and, particularly, the product quality in his department.⁴⁷

According to Joseph C. Kopf, the buying function is only bestowed upon an individual after he has experienced a training course in an individual department, including working the selling floor and experience in inventory control. The department stores frequently subdivide even the individual departments with assistant buyers specializing in as many as four separate department sub-divisions. This brings the buyer exceptionally close to the product line for which he is responsible.⁴⁸

Specification buying.--A second area of quality control utilized by department store chains is in the specification buying programs. Under these programs, the product

⁴⁷Boris Emmet, Department Stores (California: Stanford University Press, 1930) pp. 42-45.

⁴⁸Interview with Mr. Joseph C. Kopf, Assistant Buyer in Children's Apparel for Joseph Horn Company of Pittsburgh, Pennsylvania.

may actually be developed by the chain and contracted to producers who are willing to manufacture the product at predetermined standards. The Sears Company is particularly active in this field. As early as 1929, when the Sears testing laboratories absorbed the duties of the company's merchandise development department, this national chain was active in developing and designing consumer products for ultimate sale in their retail outlets. Realizing that product quality, in many cases, was inferior to the type desired to maintain their quality image, the Sears Company has been a leader in the field of non-food product development and specification buying.⁴⁹

Laboratory testing.--A third area of quality control utilized by department stores and chains is that of product testing. This testing falls generally into three classifications:

1. Check testing to verify a manufacturer's claims.
2. Comparative testing to see that the item will perform as well as alternative lines of similar merchandise.
3. Fact finding testing to see if the product will fill the function for which it is designed, including the standards of durability and simplicity of operation.⁵⁰

The extent to which the product is checked depends, of course, upon the type of goods involved. For example, an item in the textile or apparel field usually requires

⁴⁹Boris Emmet and John E. Jerck, Catalogues and Counters (University of Chicago Press, 1950) p. 389.

⁵⁰Ibid., p. 378.

more consideration than those in the well established hard goods national brand category. Occasional spot checking is done, however, in all fields to assure uniform quality.⁵¹

Many department stores or chains cannot afford the expense of maintaining their own testing facilities. In this case, the department store usually acquires the services of a national testing association such as the American Society for Testing Materials. Also, the federal government through the National Bureau of Standards and the Commodity Standards Division helps regulate the quality of a good part of non-food product sold in department store operations.⁵²

National brands and private labels.--The department and variety stores have been fortunate in their ability to acquire national brand merchandise in the non-food categories. This has eased considerably their need for quality control programs and has heavily aided them in their establishment of firm images. This availability of known reliable consumer goods coupled with more than adequate customer service policies has in most cases aided immeasurably the establishment of consumer quality images.

Likewise, the department store industry has found little difficulty in creating and maintaining a reliable

⁵¹Paul L. Brown and William R. Davidson, Retailing Principles and Practices (New York: The Ronald Press Company, 1953) p. 450.

⁵²A. L. McMillan, The Art of Purchasing (New York: Exposition Press, 1959) p. 197.

private label program in all lines of non-food merchandise. Where the manufacturer or jobbers have not been cooperative in providing the desirable product, the department stores, with their vast marketing facilities and large capital resources have been able to develop their own sources of supply which frequently are superior to those available from existing sources of supply.

Centralized purchasing.--One final method of non-food quality control presently utilized by the variety and department store operators is the practice of centralized purchasing or resident buying offices. Under this system the purchasing or market power of the buying group is utilized as a means of soliciting as much value as possible in each purchasing operation.

In the resident buying situation, a centralized agency will perform the function of market and product analysis for the member firms. Realizing the power of combined or cooperative purchasing, the member buyers authorize the agency to purchase product for their individual operation. In this manner the best quality for the best price is usually obtained.⁵³

One agency, the Associated Merchandising Corporation, has even developed a consulting department which will advise the cooperating members on the quality and reliability of various supply sources. This enables the

⁵³Paul H. Nystrom, Retail Store Operation (New York: The Ronald Press Company, 1937) p. 100.

department store to screen out the undesirable suppliers and eliminate some of the expensive product checking and analyzing that must be done.⁵⁴

The centralized purchasing agency of a non-food chain provides essentially the same services. Buying power is concentrated and, at the same time, undesirable suppliers are eliminated. In the Sears operation, buying is completely centralized under the vice-president in charge of merchandise. This office sets all general policies governing buying, selling, and distribution.⁵⁵ Not all chains utilize this system, but almost all use some derivation of the centralized purchasing department.

Control Methods Utilized by Food Chains Selling Non-Foods

Although the supermarket industry is still in its infancy as far as merchandising non-foods is concerned, there are still some controls available to the food merchandisers of non-food product. These are often weak and somewhat ineffective, but nevertheless they do exist.

Guaranteed sales.--Frequently the manufacturer or jobber of a non-food item will offer the non-food product to the food retail chain on a guaranteed sale basis. The only thing this accomplishes is that the chain is protected if the consumer recognizes poor product quality and

⁵⁴Kopf, op. cit.

⁵⁵Emmet and Jerck, op. cit., p. 374.

refuses to buy the item. This program protects the retail balance picture of the chain, but does little to help the chain quality image when the consumer receives dissatisfactory service from a non-food purchase.

Private labels and national brands.--A good deal of the quality control problem stems from the fact that national brands are not available to non-food supermarket merchandisers. As has already been pointed out, the health and beauty aids section of non-foods is the only deviation from this fact. How long the manufacturers of national brands can neglect the growing supermarket demand is debatable. The fact remains that the lack is deterrent to creating a quality image.

Concerning private labels, the picture is still very bleak. The chains have not been able to develop to any extent a reliable private label on a non-food line. The closest they have come is in the franchise selling of little known brands on items in the soft goods lines. Also, some private labels or franchise deals have been available in the small appliance and power lawn mower fields. Generally speaking, these brands do not compare with national brands in quality and are far inferior as promotional tools or image builders.

Personnel development.--Most of the corporate food chains have not extensively specialized the personnel responsible for integrating non-foods into the regular food product mix, particularly the large national corporate food

chains. Generally, the large chains have allowed the grocery merchandising departments in the various divisional headquarters to assume the responsibility for the non-food program. Consequently, the merchandisers have had to learn by doing and this frequently is a very costly source of knowledge.⁵⁶

Some of the larger chains do have the nucleus of a sound non-food program, but it is still in the embryo stage. The Kroger Company is one of these. This company has obtained the services of a merchandise consultant who has had many years of experience in the non-food merchandising field. The function of this executive (Mr. Burt Kaiser) will be to consult with the various divisional grocery merchandisers on a consulting basis. Also, a centralized testing agency may be developed to aid in sorting out the non-food product of undesirable quality, particularly in the area of soft goods. Mr. Kaiser will function as the coordinator of this operation.⁵⁷ As to date, however, there is little evidence of similar activity on an industry-wide basis.

Laboratory testing.--Little use of lab testing has been done by the corporate food chains. Some limited testing has been done by Grand Union and the Kroger Food Foundation, but not of significant consequence. This field offers

⁵⁶ Interview with Mr. Gene Tuttle, Grocery Merchandiser for the Columbus Division of the Kroger Company.

⁵⁷ Interview by correspondence with Mr. Burt Kaiser, General Merchandise Consultant for the Kroger Company.

one of the most fertile underdeveloped areas of non-food quality control. If the food chains were to move extensively into this testing field, the improvement in non-food quality would probably warrant the additional expense.

Centralized purchasing.--Centralized purchasing and the use of resident buying offices has developed to a limited extent by the endeavor of supermarket non-food merchandisers to consolidate their buying power. Supermarket operators that buy non-foods through these agencies usually try to acquire contract personnel or buyers who have had experience in the drug, variety, or department store fields.⁵⁸

One of these resident buying offices is that of the Felix Lilenthal Company, one of the largest in New York City. This operation handles the non-food purchase of the Food Fair grocery chain. The Mutual Buying Syndicate, another large buying office, purchases the non-foods merchandise for the Grand Union Company.⁵⁹

Unfortunately, the centralized purchasing agency or the resident buying office system of purchasing non-foods is not well fitted to the large corporate food chains. The move toward decentralization and local autonomy of individual food chain divisional merchandisers has destroyed the communication and other functional systems that

⁵⁸Don B. Reynolds, "Non-Foods Are Big Business," Progressive Grocer (November 1958) p. 57.

⁵⁹John W. Wingate, Buying for Retail Stores (Englewood Cliffs, N.J.: Prentice-Hall, Inc., 1956) p. 111.

would be necessary for a centralized purchasing agency to effectively perform. This system is, therefore, both applicable and adequate for regional or local chains, but rather ineffective for a national corporate food chain with highly diversified and geographically scattered subdivisions.

CHAPTER V

SUMMATION AND CONCLUSION

In Review

Before trying to construct any defending postulate which may have arisen from this caldron of facts, theories, and conjectures, it may be felicitous to review the steps thus far taken in defense of a presupposed hypothesis. Possibly this type of discourse should have preceded the main body of this report, but it seems necessary to make the following statements in order to lend authority to the final conclusions.

First developed and substantiated was the fact that non-foods have always been a part of the product mix handled by first the small independent grocer and later the independent and corporate chain food supermarket. Not only have they constantly been a part of this product mix, but the dynamic development of non-foods in these last fifteen years has been one of the outstanding phenomena of the retail food industry. Moreover, the industry indices which guide the retail food merchandisers in their promotional planning clearly indicate non-foods will be of continued and growing importance in the supermarket product mix.

The second phase of development pointed out that even though non-foods have been an integral part of the supermarket product mix for the past several years, there has been little effort shown to develop a merchandising philosophy designed to integrate this new sales grant with minimum distortion of the present food store consumer image. There is not enough realization on the part of the food store merchandisers that non-foods are a different type of product and deserve a customized merchandising approach. Non-foods differ from regular food product on the basis of methods of supply, methods of merchandising, type of product available, and the basis of consumer acceptance. Awareness of these facts is a must for competent non-food merchandising.

The third phase dealt with the increasing awareness by the manufacturer, the distributor, the merchandiser, and, finally, the consumer of the quality or lack of quality present in today's supermarket non-foods lines. All of these people realize that the potential market for non-foods in the supermarket industry relies on the ability of the people who manufacture, distribute, and sell non-foods to the supermarket customer. A nine-tenths quality and reliability of product ratio is not going to be good enough in the present competitive market situation.

Finally, the present methods of non-food quality control were investigated. In an effort to shed some new thought upon the construction of adequate non-food quality

control programs, the department and variety stores' control programs were investigated. In most cases, they seem to be far superior to any thus far developed by food chain operators and, indeed, may provide a good starting point for the construction of adequate non-food quality control practices.

The Challenge

The only conclusion we can offer is the fact that an obvious challenge has been offered to the merchandisers and executives of the supermarket industry. The challenger is the now important here-to-stay sales grant, non-foods. The challenge is to see if the innovistic merchandisers of today's supermarket industry can successfully devise a non-food policy that will facilitate a smooth integration of the food and non-food consumer image.

An undertow of non-food quality consciousness is now apparent, but it lacks in many cases the united leadership of capable food industry personnel to guide its impetus to meaningful ends. Action cannot long be delayed, for the threat of the discount house is on the food market horizon. The supermarkets must effect a non-foods policy which will be harmonious with their well-established food image or the demise of the food supermarket as we know it today is inevitable.

Mr. Richard Shuman of Stop and Shop, Boston, has summed the picture very well:

It appears that the pioneer stage of introducing General Merchandise as a permanent part of our stores is now ended. Regardless of how great will be the next forward surge it cannot be accomplished without a well planned, smoothly operating, completely trained group of people running your General Merchandise program. The supermarket that has such a program now can look to the future with certainty and optimism.⁶⁰

Recommendations

If we are to develop a corps of non-food specialists to aid in the smooth integration of non-foods into the food operation, we must be concerned with the selection and training of these people. General merchandise cannot be looked upon as a mysterious area, but must and can be handled by the creation of knowledgeable non-food personnel. These people must be created and maintained within the structure of the food industry, for there are no other resources available.

It would be presumptuous to dictate here a method or system for either merchandising non-foods or developing the necessary specialized personnel. There are too many variations in the structures of food industry institutions for the creation of such a panacea. The purpose of this section is to re-emphasize the importance of developing competent personnel and the immediacy of the need.

⁶⁰Richard Shuman, "The Selection and Training of Personnel for the General Merchandise Department," Speech presented at Super Market Institute Inc. Conference on Non-Foods (January 13-14, 1961).

As an additional section of this report, excerpts from a recent speech by Mr. Richard Shuman will be included in an appendix. This speech developed some of the methods of non-food personnel training which would easily be utilized, regardless of the type of non-food program presently operative in any of the food supermarket operations. The comments are timely, penetrating, and quite applicable to the problems raised in this report.

APPENDIX

THE SELECTION AND TRAINING OF PERSONNEL FOR THE GENERAL MERCHANDISE DEPARTMENT

By Richard Shuman, Non-Foods Manager
Stop & Shop, Inc.
Boston, Massachusetts

Presented at Super Market Institute, Inc.
Conference on General Merchandise
January 13-14, 1961

This issue has five distinct aspects. First, the exact type of organization which will be needed to properly run your General Merchandise business must be determined. Second, the proper personnel must be selected to get the job done at office, store supervisory, and store level. Third, you must develop an effective training program that will insure maximum profit productivity. Fourth, you must plan the smooth integration of your General Merchandise operation with your Food operation. Fifth, you must prepare a continuing program to help train new people and re-train existing people so that your entire performance is constantly being upgraded.

With these inherent problems in mind, it is apparent that the very make-up of the General Merchandise organization you plan to select and train will greatly determine the success of your efforts.

Selection of your people involves the three areas of Buyers, Field Supervisors, and Store Personnel.

In all areas there is a shortage of people experienced in handling General Merchandise in Supermarkets. Therefore, if we make the logical assumption that the buyers must be fully qualified in the products they cover, it will undoubtedly be necessary to go outside of your organization for people. A retail store background appears to be the most desirable, when looking for competent buyers. The person you select must be a complete merchant rather than

just a good "buyer," because his task will involve more selling than actual selection of good merchandise. He must have a firm approach to overcome the many problems and objections his new merchandise will create. At the same time, he must be flexible enough to adapt his beliefs and ideas to the realities of selling his merchandise in food stores.

He should not be brought in "cold," but should be given about six months to a year working in the stores. This is a real "must" if he is to be successful. The men we are looking for then would have a department or variety store background, be a complete merchant, possess a positive firm approach while not being inflexible or unyielding, and finally would probably have no actual supermarket store experience.

Selection of Field Supervisors, whether they are to concentrate solely on General Merchandise or assume this duty along with others, should probably be made from your current people. Selection of these people will usually be based upon superior food store performance.

Here we see a significant contrast from the situation in selecting buyers from the outside and teaching them supermarket techniques, whereas in selecting supervisors you choose experienced supermarket men and teach them how to handle General Merchandise.

In your selection of store personnel to handle General Merchandise, you are really starting from "scratch." The responsibility for selection must reside in field supervision down through the store manager. Field supervisors must hold the store manager responsible for the selection and training of an adequate store General Merchandise work force.

The people ultimately selected must possess above-average intelligence because of the specialized problems previously noted which exist with General Merchandise. This need is similar to the requirements you find in Dairy, Frozen Foods, or Bakery, where there is more to the job than routine ordering and shelf stocking. You should, if possible, select an up-and-coming person because the very lack of store familiarity with General Merchandise gives any person an opportunity to create and develop in this new area and thus earn recognition.

Once you have selected your buyers, your supervisors, and your store people, you are prepared to move into their training program.

A well conceived training program will be the major determinant of the quality of your performance. We must

remember that this is a relatively new field in a fast-moving, highly competitive industry. If you do not build a firm foundation with a competently trained group of people, your entire "building" will crumble before it really has a chance to get off the ground floor.

Training for buyers may be divided into two main phases. First, there is the actual in-store training. As previously mentioned, this will probably require an optimum time of six months to one year for people brought in from other retail operations. Included in their program, after a short period of formal orientation, should be grocery and front end experience, working on new store set-ups, working store re-sets and remodels and traveling with field supervisors. Such a program should give a competent person a sufficient "feel" of the business to enable him to perform successfully. Also, a buyer who has spent some time in the stores will find his personal acceptance a valuable aid when he is "selling" his ideas to store people. They justifiably feel that he shares an understanding of their problems.

Office training for the new buyer will probably take no more than three months. Learning new warehousing, ordering, advertising, sales planning and budgeting techniques fall quickly into line for someone who has worked with similar areas in other retail stores.

Training the supervisors is a key function because it is to them that you must look for guidance and assistance in putting the program over at store level. It is impossible in a large chain for the central office to adequately train store managers or their subordinates as a group in General Merchandise. Therefore, you must provide the field supervisor with sufficient tools and knowledge to enable them to follow through with the store manager and his people.

With this thought in mind, it would be wise to consider now the way to effectively train store people. The two programs of their training and supervisory training are part and parcel of the same basic "whole." Train the supervisors and then work with and through them to train store people is a sound approach. This section may aptly be referred as a training checklist for field and store people and could be listed as follows:

1. Buying Meetings--an invaluable time to exchange views on mutual problems as well as get field and store people in on buying decisions. Should be limited to field supervisors and store managers.

2. Manuals--basic written guides to the stores so that there is a uniform standard of performance for all stores. Should be written by buyers in conjunction with company's training specialists and then turned over to field supervision for proper store follow-through.
3. Store Visit Reports--really a periodic check of stores to guarantee that they are performing according to accepted standards. Should be made out by buyers and/or field supervisors with joint responsibility for follow-through. The tremendous importance of getting the buyers out into the stores at least once a week cannot be over-emphasized. This approach alone will go far in solving much of the lack of knowledge and understanding that so often exists.
4. Schools--for store managers and department managers. A formal presentation by either the buyers or field men of practical advice and how to more effectively plan and merchandise. Properly executed, these schools would represent a joint effort of both buyers and supervisors and should be presented at regular meetings of department or store managers.
5. Special Merchandising Bulletins and Seasonal Plans--whether it is simply advising stores in August how to plan their remaining briquettes orders or whether it is your overall merchandise plan for the Christmas season, this information is an absolute must in training your people to merchandise properly.

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