MARKETING RESEARCH
APPLIED TO FOOD CHAINS

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This is to certify that the

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MARKETING RESEARCH APPLIED TO FOOD CHAINS

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The author of this thesis deeply appreciates the wholehearted effort made by everyone contacted to assist in every way possible by presenting their views on the subject and materials considered as possibly useful in carrying out this study of marketing research and the food chains.

The chains contacted, American Stores, Kroger, Hart's Food Stores, National Tea Company, and Safeway Stores, have responded graciously with their methods and thinking on the subject.

The newspapers and research agencies contacted, the Chicago Tribune, the Chicago Herald-American, The Milwaukee Journal, A. C. Nielsen and Company, Industrial Surveys Incorporated and J. Walter Thompson Company have responded with equal cordiality to the requests for information on their services and its applicability to the food chains.

The professors I have discussed the many problems with have been equally interested in helping to solve my difficulties and point out various ideas that had to be considered in the study.

I am particularly indebted to the executives of my sponsor chain, Jewel Food Stores, for their free discussion of the subject and the problems involved. The information they made available to me helped immensely in carrying on the study, and giving a practical slant to the picture.

East Lansing, Michigan — Harry Gene Beckner

May, 1951

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CHAPTER I

INTRODUCTION

Purpose

The purpose of this thesis, Marketing Research Applied to Food Chains, is to study the need for such research by chain food stores, develop a statement of the general principles of evaluation as a yardstick for management, show the extent of present usage and application, and indicate some of the existing aid which can supplement the chain's activities. This is done in an attempt to point up some of the weaknesses, which make the distribution function less efficient, so that they might be corrected, thus giving economic justification to the functions performed.

Importance of the Study

As the history of the food chain is reviewed, one cannot help but see the striking fact that they have continually, through the tremendous competition they have faced, cut their margins and reduced greatly the relative cost of food to the consumer. The continuing tendency of an ever increasing pressure from the consumer and from the manufacturer for further reductions in this margin toward the irreducible minimum can also be seen. The average gross margin at present runs from 15 percent to 17 percent, and there are predictions that the future holds a reduction to around 12 percent.

Many will say this is impossible, but that is not true. There are still many inefficiencies and many mistakes being made by the food chains. Then how will they be able to reduce their margin, which now only allows

them 1 to 2 percent net profit, still further? This can be done only through a better understanding of their problems, weaknesses, and the markets they serve. This can be gained only by an intelligent combination of marketing research, production research, (a study of inefficiencies of operation) and managerial judgement. Without effective coordination of these any company attempting to remain in competition will not succeed.

This seems to be like the ideal of free enterprise and free competition that has been advocated for so long in the United States, where the consumer is the final judge of the value of an enterprise. This picture is very true. It is living proof that the American system can and does work.

Having seen the importance and necessity of solving the problem confronting the chains, the work done on this thesis is directed toward a realization of that goal.

Definition of Marketing Research

The term marketing research has been used to cover a multitude of sins and almost as many different meanings as there are readers, so a statement of marketing research as used in the study is in order.

Marketing and distribution research is the use of scientific method in the solution of marketing or distribution problems.[1]

Research is diligent and protracted investigation or inquiry. It is thorough, honest and impartial study conducted by trained men using

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1 Lyndon Brown, Marketing and Distribution Research, New York: The Ronald Press Company, 1949, p. 5.

scientific methods. Market research is research directed to the solution of marketing problems. Market research ascertains if there is a demand for such a product. Market research determines what the consumers want.[2]

Finally, it is described in a very simple statement by Charles F. Kettering: "Research is nothing but looking forward to see in which direction industry may or may not go. It is an insurance policy."[3]

Chapter Organization

The following chapter organization was made in order to cover the information used in the thesis most adequately:

Chapter II, Need and Executive Appraisal

Chapter III, Use by Food Chains

Chapter IV, Newspapers Aid to Food Chains

Chapter V, Marketing Research Agencies and Government Assistance Available to the Food Chains

Chapter VI, Case Study of Food Chain Application

Chapter VII, Conclusion

Related Studies

At the present time another thesis, "Uses of Marketing Research by the Food Industry", is being submitted by another Food Distribution student covering an extensive case study of marketing research undertaken by

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2 P. Converse and H. Huegy, The Elements of Marketing, New York: Prentice-Hall, Inc., 1940, p. 622.

3 Charles F. Kettering, Why Research is Essential, New York: Printers' Ink, 178:87, January 7, 1939.

food chains.[4] The two theses should supplement each other and when considered together should give a realistic picture of marketing research and the food chains at the present time.

Method of Procedure and Sources of Data

In carrying out this study the method of procedure used was to attempt to discover some of the problems confronting food chains and how they can be approached through marketing research. This was done by general reading on the subject and discussions with food chain executives and professors closely connected with marketing research.

The next step, after thus developing a broad outline, was to gather further information from other chains on their methods through a letter-questionnaire. Since an attempt was made to discover outside aid available to the chains, contact through another letter-questionnaire, was made with various newspapers and marketing research agencies. Survey information carried in the Jewel Food Stores files also was analyzed. This was supplemented with a study of textbook material in marketing research and periodical articles pertaining to the subject.

The material was then organized and worked into the previously presented chapter breakdown in order to present in a logical fashion the work contributed toward a solution of the chain's problem - a better understanding of the market it is serving.

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4 Eugene S. Mahany, "The Uses of Marketing Research by the Food Industry," (Unpublished Master's Thesis, Michigan State College, East Lansing, 1951).

CHAPTER II

NEED AND EXECUTIVE APPRAISAL

Need

The grocery business has undergone a tremendous change in the last twenty years and the last six years of unbelievable advancement has served to sharply focus the attention of everyone who is in contact with a grocery store on this change. The grocery business has typically been one in which anyone with a few thousand dollars could rent a store, purchase some stock and be a grocer. Many people did just that and it is still possible today. But many of these "grocers" did not finish out the year, and only a very small minority were in business at the end of five.

The chains were confronted with similar problems, and during the last twenty years, these problems have multiplied many fold. During this period, due primarily to the depression demand for lower prices, the automobile's success in expansion of the trading area, chain store taxes and the advances in packaging - the chain grocery store has shown a continuous trend toward increased size.

With this increased size the problems of store location increased proportionately. To remain successful these problems must be solved correctly. When it costs approximately $100,000 to $250,000 to open a new unit, besides the opportunity value of that money, an executive cannot afford to be wrong very often.

A chain's merchandisers are continually confronted with problems on product selection for new items and the necessity of discontinuing items because of limited space and money. They cannot afford to pass up a

good item or discontinue an item that the consumer desires even though it might sell slowly. It all boils down to the fact that success depends upon pleasing the consumer. This can be done only by finding out what she wants from the sign on the front to the container she puts in her refrigerator. Marketing research helps to find these answers.

At this point many people will disagree. They will say that good management can answer these questions, or they can be solved by a trial and error method. However, this trial and error method may prove quite expensive. These people do have a significant point. A good executive does have his finger on the pulse of buying America, but he must have facts to keep it there. Marketing research employs a good deal of the trial and error method, although on a small, representative scale not just as a hit and miss proposition as implied in the above.

Let us take a look at a yardstick developed by A. C. Nielsen and Company measuring the accuracy of executive decisions.[5] About twenty years ago they discovered that executives in the great manufacturing organizations are not always right in the decisions they make on difficult marketing questions. They made a study of this and developed a batting average, which showed that executives were right about 58 percent of the time. At first thought one might say you could do just as well with a coin, however, there are three or four possible answers to these questions which means in all probability one would be right only about 25 or 30 percent of the time. By raising that to 58 percent, the executives are undoubtedly earning their salaries. But what about the other 42 percent?

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5 A. C. Nielsen, Grocery Store Marketing - 1950: An address to the National Association of Retail Grocers, p. 4-5.

When this is applied to food chain executives the figure might not be the same, but one cannot deny the fact that the ratio is probably quite similar. The problems they face are similar and they are not gifted fortune tellers any more than manufacturing executives. If they are wrong 42 percent of the time, the executive alone cannot be depended upon to keep the business running as efficiently as it must. His work and knowledge must be supplemented. His judgement must be aided. It is not just a desire; it is a necessity. He must be given the facts and marketing research is the only thing known so far that can give him these facts.

The solution is to use research more effectively and more efficiently. The methods now in use must be refined and improved. Above all, the executive must understand it, must be able to appraise and evaluate it, and must learn how to use it. He must see that it is essential to him in retaining his position and it is essential to his company in retaining its position.

There has been, and still is, a good deal of executive skepticism about the validity and value of marketing research. This has not been without reason and many of them are good.

What has caused this? First of all, much of the research done has been poor research, unworthy of the definition given to it. It has led to false conclusions and this alone would make any executive skeptical.

Secondly, research is costly. Its value is not always apparent. With capital scarce and a dozen other areas crying for this same money, why should it be used for something not tangible, something of doubtful value? After all, the present must be taken care of before the future can be reached.

Thirdly, many of these executives came in contact with marketing research when the methods were poorly developed and it left a bad taste in their mouths. The methods are now greatly improved. However, the problem of proving this to the executive is still present.

Fourthly, much good research has been undertaken but not completed because of lack of time. Marketing research, when done properly, takes time and cannot be rushed through. Problems must be anticipated and then research must be given time to solve them. This cannot always be done, but it must be realized and planned for whenever possible.

A fifth reason has been improperly defining the problem. A study is made answering the question, but then it is found to be of very little use because it was the wrong question. This can only be solved by management, itself. A day or two of study and analysis, before jumping into something will save much of this wasted effort and make research much more valuable.

Finally, a good deal of the skepticism is just plain prejudice. This is the worst of all. It stems from a certain hard-headedness of management that must be destroyed before it destroys management. It is merely an idea that, "Well, we did it this way ten years ago when I was working there; what is wrong with doing it that way now?" But, what was correct yesterday is not necessarily correct today. The world changes very rapidly and so do peoples' habits and desires. Executives tend to lose touch with the stores' problems and with the consumers' wants as they are promoted. This is only natural. Everyone must come to understand this completely - that marketing research is not just a one-time job to answer all questions, but it must continue to keep up with the

changes. The research man may not know how to be a grocery man, but he can surely tell a lot about the consumer that this grocery man must please to stay in business.

A rather dark picture of the scene has been painted and the rest of the thesis will be spent in touching it up with a few highlights which will tend to brighten it a good deal.

Appraisal

As a first step let us look at a quote by Lingan A. Warren, President of Safeway Stores:[6]

> "Because of the importance of knowing what the majority of consumers want, the large-scale operators have adopted scientific methods of controlled testing and consumer preference surveys as a common business routine. This is particularly true of chain store operators, who can easily use a small group of stores as the proving grounds for new products or methods. Such a means of testing greatly reduces the expense of introducing new ideas."

The progressive chains all realize its value but all of them are not doing as good a job of research as they could or as they should. It may be possible to clarify the situation causing this a bit, and through a better understanding of marketing research and through the development of a few guideposts, facilitate the needed improvement.

First of all, what does marketing research do? Many impressive lists have been developed discussing this. A restatement of most of the pertinent points of one should give a good idea of its value.[7]

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6 Paul Sayres, Food Marketing, New York: McGraw-Hill Company, 1950, Chap. 2, "Mass Marketing Arrives", p. 18.

7 P. Converse and H. Huegy, The Elements of Marketing, New York: Prentice-Hall, Inc., 1940, pp. 623-4.

1. Calculation of market potentials, or potential demands for various products.

2. Sales analysis. This may show trend of sales of various products and may be used as a basis of purchasing, setting sales budgets, setting salesmen's territories, determining where warehouses should be located, and so on. It may show where sales are made and the importance of various types of buyers.

3. Ascertaining sales of various products by a particular company, or by various companies: and the stocks in the hands of wholesalers, retailers, or consumers. These data are especially important in checking changes in consumer sales following changes in prices, advertising, special campaigns or deals.

4. Forecasting movements of business and prices.

5. Forecasting sales and setting sales and production budgets. This can be done on the basis of information obtained by the types of research listed above.

6. Analysis of distribution costs. A research department can determine the costs and profits of selling to individual customers, to various types of customers, of selling different products, of selling in various territories, of sales made by various salesmen, and of orders of various sizes. On the basis of this information, a seller may revise his prices, discontinue certain products, stop soliciting certain customers, or instruct his salesmen to concentrate on certain types of customers.

7. Determining selling prices. Data may be secured on distribution costs, elasticity of demand and consumer reactions. Proper pricing may

involve experimental research during which various prices are tried under different conditions.

8. Ascertaining the use of a good by consumers. This may be done by interviews, censuses, questionnaires, and pantry surveys.

9. Ascertaining buying motives. This may be done by interviews, questionnaires, observation and experiment. Consumer reactions (psychology) may be used as the basis of advertising and selling appeals.

10. Determining boundaries of wholesale and retail trading areas or territories and tracing movements of trade.

11. Determining effectiveness of sales efforts. This may be done by consumer questionnaires, observations, and experiment. Observers may be sent with salesmen to record consumer reactions and salesmen's time. Different advertisements or sales appeals can be made in different cities or different stores and records kept of sales.

12. Product analysis to determine the consumer reactions to products and to suggest changes in them. This is fairly simple with foods, where the jury technique may be used. With other products, interviews and questionnaires may be used.

13. Operating techniques such as methods of stocking, accounting, warehousing, or delivery. Time and motion studies may be involved.

14. Collection and analysis of data on credit, finances, and mortality of business concerns.

A brief review of the basic marketing research methods.[8] Having stated some of the uses of marketing research, the methods by which this

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8 Lyndon Brown, Marketing and Distribution Research, New York: The Ronald Press, 1949, Chap. 15, pp. 295-324.

information is obtained should also be clearly understood.

The fundamental methods of marketing and distribution research are the survey method, observational method, and the experimental method. Illustrations have already been described where each method is used in the previous section. The food chains use each method with the survey being the most popular.

The observational method is used extensively in studying shelf position and shelf frontage arrangements for maximum sales.[9] It also is used to a large extent in studying new items through a group of test stores, where sales figures are closely observed.

The experimental method has not been used on a scale with the other two, although innovations have been tested on an experimental basis in new stores. Primarily, it consists of product testing in the food industry with the consumer and in kitchen testing laboratories in the chains.

Survey. In the survey method data are gathered by asking questions. This is sometimes called the questionnaire technique. The essential element in the survey method is that data are furnished by an individual in a conscious effort to answer a question.

There are many types of surveys - factual, opinion, interpretative - each delving progressively deeper into what the consumer does. To do this scientifically a thorough understanding of psychology must be combined with the proper marketing research methods. This type of marketing research is not completely developed. When depth questioning becomes more effective many of the present problems of getting only the surface answers or the most obvious answers will be avoided and the core of consumer thinking can be reached.

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9 Dipman, C., R. Mueller and R. Head, Self-Service Food Stores, New York: The Progressive Grocer, 1946, p. 267-72.

The panel technique, which is described in greater detail later on, is also a form of survey research. Its major benefit is a continuous record of the behavior of individuals comprising the panel, making changes more easily observed. There are disadvantages of drop outs, an unrepresentative group as time goes on, inaccurate reporting and high expense.

There are many limitations to the survey method of research. However, it is the best available for many purposes at present; therefore it must be controlled to make it as scientific as possible.

Four specific practices will aid in this. They are: (1) careful phrasing of questions. (2) Careful control of data gathered. (3) Cautious interpretation. (4) Restricting the method to obtaining relative facts.

Observational. The observational method relies upon direct observation of physical phenomena in gathering data. The observational method of marketing research is similar to the newer psychological approach which studies psychological problems from the physical and mechanical points of view, observing only event behavior and drawing conclusions from the actions or responses which are observed. Its major weakness is that it still does not get at the basic buying motives and other psychological factors which will be the greatest help to the chain. However, it is more objective and accurate than the survey.

Experimental. The experimental method is essentially the same as in all sciences. It is holding constant or controlling of all variables except the one whose effect is being measured. It is still largely in the pioneering stages of its development in marketing research. It should be a valuable tool to the solution of many problems when research personnel in food chains learn to use it effectively.

Finally, how can the executive evaluate marketing research? There is nothing that can replace an executive's thorough understanding of marketing research procedure and the many areas where it can fail to meet the standards required to be significant research. Many food chain executives have not had the opportunity to study marketing research in any great detail. It would probably be well worth the while of any executive connected with a chain to undertake some independent study of marketing research either through a textbook on the subject or through a night school course, if available, to him. The time spent in developing an understanding of marketing research would be paid for many times by the increased efficiency in preparing studies, properly defining problems and in detecting false research before it causes a costly error.

This is the ideal, but only a hope, which cannot be reached for many years. Much has been written on the subject in periodicals. A review of a few of these may bring out a few salient facts which as a minimum should be understood by all executives.

Four trends in research are becoming more important.[10] They are:

1. A tendency toward more careful sampling. The probability sample, in which the interviewer has no choice whom he is to interview will be offered by commercial research agencies. Its big feature is that the range of error can be accurately figured. Other plans with more precise sampling will also be offered. They include area-sampling.

2. Researchers are getting further away from counting noses. They are delving into motivations. Psychological techniques are coming to the

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10 Market Research; Increasingly More Accurate, More Scientific Printers' Ink, 229:28, December 30, 1949.

fore. There is more stress on the correct methods of questioning to get at subconscious motivations. Psychological tests will be used increasingly in classifying respondents and evaluating their replies.

3. The attack on naive mail surveys is gaining in tempo. Researchers are explaining to economy-minded managements that they may be led astray by tabulation of answers received from a letter or questionnaire form. They insist that those who do answer such a survey are quite different from those who do not. Because there will be a need for inexpensive research, work is being done on methods to make mail surveys more valuable. This will include follow-up letters and personal calls.

4. Buyers of research are getting smarter. They asked searching questions after the presidential poll fiasco of 1948, with good and salutary effect on the research business. Researchers studied reasons for the failure and learned some things to avoid, developed more exact methods as described in paragraphs one and two. It remains to be seen if management will pay for the more expensive methods that will be recommended. Sophisticated research buyers are now considering the over-all problem instead of saying, "Let's go out and make some interviews." They carefully study the problem, state the hypotheses that must be tested and examine all the available data in sales records and elsewhere before hiring a flock of field interviewers.

A major problem that remains is that research suffers from its confidential character. Methods and results do not get the proper publicity.

An evaluation of some of the more common types of research employed in the food field was made by the advertisers and their agencies as they

rated three types of research.[11]

Store audits were called the best. Such audits give a fairly accurate picture of the local market which grocery manufacturers can use to plan advertising and sales effort.

Household or pantry inventories were named as second best.

Consumer purchase studies were considered the worst. Especially those infrequently used where consumers fill out a survey form of inventory lists covering purchases for a week or more.

In presenting a six-point plan for success in post war food marketing, A. C. Nielsen lists as point four:[12] Know more about marketing research and learn to apply it effectively to important problems to insure post war success in marketing.

It is now a top flight tool of progressive management. Executives must evaluate marketing research so they should know the:

1. Importance of accuracy and reliability of the basic data (from each home or store.) If a questionnaire procedure is used, ask: Does the respondent know the right answer? Will the respondent tell the right answer?

2. Representativeness of the sample. Are all important types of homes or stores available for sampling - or, if not, are reasonable facsimilies available? Is each element sampled in its proper proportion? Beware of mail samples.

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11 G. Brandenburg, Advertisers, Agencies Call Audits Top-Value Research. Editors and Publishers. 82:5, May 7, 1949.

12 A. C. Nielsen, Marketing Research Reveals Pitfalls When Sales Decline. Food Industries, 19:40-3, January, 1947.

3. Are the sample homes (or stores) made non-typical by their contact with the research work? In general, the research is on very dangerous ground if the respondent has to do too much work, such as keeping detailed records.

4. Stability of the sample - to insure reliable trends.

5. Skill and conscientiousness with which the production operations are performed. Careful attention to every detail, maximum mechanization and adequate inspection and controls are absolutely vital to insure soundness of the final results.

6. Size of the sample. This is usually the least important element. Statistical mathematics now tell accurately the range of error inherent in samples of various sizes. Armed with exact knowledge as to the degree of accuracy, the executive can know just how much leeway to allow in his interpretation of the findings. Mathematics makes large samples uneconomic in use. Accordingly, do not insist on larger samples than are necessary, but devote attention to checking other factors that may make for error. In any event, do not abdicate the right to judge the soundness and usefulness of each marketing research technique offered.

Finally, let us conclude the section on executive evaluation with Warren Cordell's, "Six Ways to Appraise the Reliability and Usefulness of Marketing Research."[13]

1. That we must first define the sources of information.

2. That we must design our sample so as to tap exactly those defined sources at minimum expense for whatever degree of precision is required.

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13 W. Cordell, "Six Ways to Appraise the Reliability and Usefulness of Marketing Research," Printers' Ink, 228:36-8, July 1, 1949.

3. That we must select our sample under specifications at least as vigorous as those employed in the original design.

4. That our field reporting must be done in strict conformity with the spirit of the old precept against sending a boy to do a man's job.

5. That good basic data deserves equally conscientious and competent processing.

6. And that our job is not finished until if necessary, we have also tested every item of information, cross-analyzed it with every other related item and finally distilled the concentrate of material of actual value for any given type of marketing problem.

Pre-evaluation of research is necessary and this is a check list to determine whether research is good from (1) The quality of procedures used and, (2) the quality of the sources of information.

The future of marketing research depends on building quality and value into research and then convincing executives it is good and how to use it skillfully.

The true importance of marketing research is that it oils the machinery of distribution with facts needed for a smoother, more efficient operation.

Summary

The need for marketing research is apparent. With the trend toward larger stores and more investment, the food chain executive cannot afford to be wrong very often. He must be armed with facts to make correct decisions and only marketing research can give him these facts.

Marketing research can solve many problems for the chain. The executive's job is to discover what it can do, what methods are used and

how he can evaluate research. With these things clearly in mind he can effectively and efficiently apply it to his problems.

What does the future hold for marketing research? That depends to a considerable extent on the phase of the business cycle and world conditions in general. If business is faced with a seller's market, where they can sell everything they can make, marketing research will seem important only to those who look past the lush days.

If business is faced with a buyer's market as a "normal" world would indicate, marketing research will play an ever increasingly important role in finding the market.

Let us go back to Mr. Lingan A. Warren of Safeway Stores again as he looks at what is ahead for mass marketing of food?[14]

> "Mass food distributors can be expected to expand their research activities. New methods of cutting operating costs and a broad understanding of consumer preferences will be of primary interest in these studies. Pure research activities in nutrition will also increase in interest and in importance to large-scale food marketers."

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14 Paul Sayres, Food Marketing, McGraw-Hill, 1950, Chap. 2, Mass Marketing Arrives, p. 27.

CHAPTER III

USE BY FOOD CHAINS

An attempt has been made to point out the place of marketing research as an important tool of management. Experience indicates marketing research is not being used as effectively as it might and a complete understanding of its virtues and inadequacies is not present. Part of the purpose of this thesis is to assist in increasing the effectiveness of marketing research by developing a more complete knowledge of the problems that can be solved; by developing an ability to understand and evaluate its methods and results; and finally by studying what is being done by the chains at present in the field of marketing research.

First of all, every chain, no matter whether it has four or four hundred stores, is faced with similar problems that must be solved, although they vary in magnitude.

It does not matter whether a chain has a separate marketing research department or not. The studies necessary for store location, product selection and of consumer buying habits and motives, must be performed by someone. In performing this work, marketing research is being done whether it is called that or not.

A few broad generalizations may be made before entering into an actual study of several chains. First of all, one can in general, expect a larger chain to do more research than the smaller chain. This is rather obvious since the larger chain has more money and a wider variety of personnel or access to the special types of personnel needed. They cover a wider area which means it will be economical to employ some of

the research agencies in their research as will be discussed later. This wide area means they can also undertake their own extensive projects on a more economical basis. Finally, the large chain has the facilities to make good research such as mechanical tabulating equipment and the like.

The smaller chain is handicapped by lack of funds for research and by lack of time by its already hard-pressed executives. They also cover limited areas which produce a high cost per store of the research. They still have to do the same job as the larger chains, however. The smaller chains do this through a utilization of all of the outside aid available to them through local newspapers, libraries, literature on various studies by outside agencies, and much of the new data collected by the government. It all goes back to the idea that "there is an answer to your questions somewhere. All you have to do is find it." This presents quite a challenge to the small chains but they have been using their ingenuity to survive for many years and remain as some of our most progressive, so they surely can do this job.

The most important job is correctly defining the problem; then reviewing secondary sources which may have the answer already; finally a careful planning of the operation. In other words, "look before you leap." The larger chains might do well to follow a similar program. It has been proved time and again that a little headwork can save a great deal of leg work. Industry has been able to plan and budget sales and production. Why can't this planning also be applied to marketing research? Eventually it will have to be for marketing research to take its necessary place in the distribution pattern.

Now let us look at what a few of the chains are doing today in the way of marketing research.

American Stores

The American Stores Company does not have a distinct marketing research department. This work is in charge of the buying department in cooperation with the sales department. Some of the work they carry on is: commodity purchases research, pricing and advertising research. They undertake sales tests on new items in a cross section of stores (generally from 10 to 20) located in different neighborhoods and catering to different income groups. This work might be classified as primarily merchandising research.

The matter of selecting store locations is under the direction of the general manager aided by the sales department and supervision.

Some of its research work is undertaken by outside agencies primarily in surveys on consumer buying habits. Although the company ordinarily uses very little outside assistance in the planning of research projects.

Hart's Food Stores Company

The Hart's Food Stores Company does not have a special marketing research department. Although many occasions arise when studies are made of problems.

New items are tested in certain stores before being stocked generally.

New locations are studied from a background of knowledge of the city, secured over the years from the start of store operations. In one market the company gave away a television set which resulted in a research

study. It revealed from the names and addresses, the area served and from analyzing these, another market could be planned in the same general area where apparently they did not reach consumers.

The company did considerable work with Cornell Agriculture College on consumer buying of potatoes, grades, quality, price, and so forth. They also worked with the New York State Apple Institute on varieties, keeping qualities, packaging, and the like.

They join with five home economics groups and nutritional agencies from time to time in studies of buying habits.

Jewel Food Stores

The Jewel Food Stores do not have a specific marketing research department, but carry on these many activities under separate divisions. The merchandising division does extensive work in new product testing, through a panel of 18 test stores, selected to give a cross section of the population, or sometimes just in a group of "A" stores.[15] These sales tests give dollar sales, unit sales and gross margin dollars of competitive items as well as for the new items, thus developing a relationship between the two. With this information they can pick the item to drop more accurately and also determine whether the new item is something the customers actually want.

The merchandising department also trys to keep abreast of changing consumer buying habits and conditions through a study of various survey material gathered from secondary sources, from the Industrial Surveys service and through assistance of A. C. Nielsen and Company.

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15 "A" stores are the stores classified as modern super markets of the company. A full size store of high volume.

They use the company's homemaker's institute and chemical laboratory for "kitchen testing" of new items and maintenance of quality of old items.

The accounting department has a group of seven test stores selected to test the validity of their book inventory methods through actual count inventories from time to time.

The real estate department does very extensive research work in planning a new location, however the final decision is made by a panel of executives including the general manager. This will be described more fully in Chapter VI. However, this study leads to an analysis of much valuable market information.

Finally, it might be interesting to note that during the early development period of the company, the executives realized the need for finding out what the consumer wanted in the way of a food store to be successful. Interviewed in the Chicago area were 18,389 homes. From this information the company developed its "Ten Commandments" which they attempt to follow closely as a true indication of what the consumer wants.[16]

The Kroger Company

The Kroger Company undertakes a considerable amount of marketing research. The following departments are in operation:

1. Market research studies general economic conditions and commodity markets.

2. Budget and statistics do most of the sales analysis.

3. Real estate is responsible for store locations.

4. The Food Foundation does its own product testing.

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16 Jewel's Ten Commandments are: (1) clean, white stores; (2) friendliness; (3) self-service; (4) true quality; (5) freshness; (6) low prices; (7) honest weights; (8) variety of foods; (9) fair dealing; (10) Jewel guarantee.

5. Which leaves the field of merchandising to the merchandising research department.

The merchandising research department does most of its work with the merchandising departments - devising better ways to sell the usual grocery products and finding new items which might be sold through the outlets. They do assist all departments who make specific results, on other matters.

The company cooperates with Industrial Surveys and Oxford Research Associates. The company has five consumer panels of its own. Two are measuring advertising bargains and three are studying food buying habits.

Any assistance in their projects is never refused and often outside agencies are requested to take over particular jobs.[17]

The National Tea Company

The thinking of the National Tea Company on marketing research can best be expressed by a direct quote from the letter of Mr. F. J. Gruman, Vice-President in charge of purchasing:

> "Being fundamentally a multiple store distributing organization, we do not indulge in research work in the strict interpretation of the term, except in an indirect manner. To qualify this may we say, this type of work is undertaken by the manufacturer from whom we buy our supplies. Theirs is the function to conduct research work on any product, new or old, they plan on launching in any market. For instance, is it the kind of product that would have general acceptance from the standpoint of quality, type of package, and so forth? Is the price structure such that the majority of the people could afford to buy it? To determine this test markets are selected and carefully checked for results. In other words, all of the preliminary or spade work along these lines is done before the product is presented to the distributing organization for sale to the public at the retail level.

17 For an extensive analysis of Kroger research methods please refer to the thesis referred to in Chapter I, "Uses of Marketing Research by the Food Industry."

"If, after this procedure, we, as distributors, are still in doubt as to its acceptance in the markets we operate, test stores are resorted to by us, for further verification of its potentialities. Stores designated for test purposes incompass a cross picture of the market, such as income groups, foreign population, suburbs versus congested areas, and various sizes of stores based on physical as well as dollar volume.

"New store locations are determined by various factors such as, population, income status, parking facilities, and the amount of competition already in the area.

"Consumer panel studies on buying habits are usually conducted by the newspapers, and statistical agencies, either at the instigation of the manufacturers, or as a method of selling advertising by the paper. These studies are rather comprehensive in scope, as they show consumer preference for brands, stores and companies; also give a breakdown relationship of brand to brand, company to company, the type of store, percentage of business done in the market, over-all sales by each company; also show the various income groups, and whether consumers are home owners or renters."

It may be concluded from this that most research studied by the company is made by outside sources, except in the new store location field and some new item studies.

Safeway Stores, Incorporated

Safeway Stores have a rather active marketing research department. It is organized as a division of the parent company under the name "Oxford Business Surveys." The function of each department in Oxford is as follows:

1. Consumer research: Makes all types of consumer surveys including surveys of distributors, shopping habit surveys, customer source surveys, traffic counts, price checks, package and label tests.

2. Opinion research: Conducts public opinion polls on operating and policy problems; makes employee attitude surveys; studies management problems on public and customer relations.

3. Commodity research: Studies the source processing, and distribution of commodities; makes comprehensive industry surveys and brief factual reports on the supply of or demand for a commodity.

4. Economic research: Analyzes supply-demand-price relationship; reports on the outlook for business, consumer purchasing power, and commodity prices.

5. Sales research: Analyzes sales trends and estimates Safeway's potential sales.

In store locations, the research behind the location planning is quite complex. It is based primarily on population and traffic figures, current and projected. These figures are supplied to the executives responsible for location planning by Oxford Business Surveys.

The testing of new items is done primarily by the operating divisions. New items are stocked in all stores in a given area, and then its sales and the sales of all related items are recorded. The final decision is probably made from the comparisons thus made available.

Consumer panel studies are used intermittently to study consumer reaction to products, store layouts, package designs, store equipment and the like.

The company maintains subscriptions to many "information agency" publications. Such agencies are seldom used, however, for planning or executing of research projects. The only situation in which an outside agency might normally be used in collecting specified information is when the research involves employee attitudes. Some employees, who might be reluctant to criticize the company's policies before a company executive, are not equally hesitant before an outside investigator.

It is plain to see that Safeway does an extensive job in marketing research and from this it can be further concluded that the management realizes that marketing research is a vital management tool with continuous problems to solve. They have the organization and machinery prepared for instant application to a pressing problem.

Summary

It is easily seen that there are almost as many ways of handling research as there are chains. Each has its own thinking on the matter. Even the idea that the larger the company the more apt it will be to have a separate department, does not hold completely. This is illustrated by the fact that a small chain (relatively) like Stop & Shop has a fourteen-man department while larger organizations like American Stores, National and Jewel do not have distinct departments.

It may be pointed out that they all realize the task is there, but each thinks differently on the most effective way of accomplishing that task. It is not the hope nor within the scope of this thesis to set the ideal way of handling the job, but rather, it is an attempt to make the food chains more marketing research conscious.

There is, undoubtedly, one best way of handling the work by a department or departments, but this may vary according to size. The solution of this must be left to the individual chain. The consideration at hand is only to point out the jobs it can do, what must be carried on to give adequate marketing research coverage and the outside sources that can assist in this. The first task is to make all the executives more conscious of and familar with the work. The organizational form will develop as time passes and experience is gained in dealing with the problems.

CHAPTER IV

NEWSPAPERS AID TO FOOD CHAINS

There has arisen down through the years an increasing necessity for the use of marketing research in planning operations. This increased necessity has been brought about through the increased size and investment of the stores and the keener competition encountered. There is very little doubt that this trend toward a need for more exact information about the market will continue to grow. Every food chain will have to meet this demand to maintain its successful operation.

The need is apparent but marketing research, like all forms of research is very expensive. The smaller food chains will find it very difficult to be able to afford the necessary expenses of an adequate marketing research department. It will be impossible for most chains, except the largest, to have an adequate research department. But still the functions must be performed somehow. The company undertakes small projects of its own when a single problem can be isolated and when there is sufficient time to undertake the project. Each department, such as merchandising, operations, and real estate must devise and carry out their own projects in most cases.

The departments do not always have the time, personnel, money or experience to do extensive jobs. They must find all the short cuts and all the sources open to them which can save time and give them more and better facts than any undertaking they could make alone.

Newspapers are a major source of information about trading markets. They already have the mechanism established to solve many of the questions

and problems confronting food chain executives. They have continuously available all sorts of market information which may be too broad and too general, but which is at least a basis for planning a much shorter, less expensive and more exact analysis of an area. Often the preliminary work and the actual determination of the problem is the most difficult part of the job and if that work is already done the limited time and money to be used can be much more productive.

The following examples indicate some of the work being done by newspapers which is available to chain store management.

Your Retail Link - Chicago Tribune's 1948 Retail Census

Covers.

Convenience Outlets	Selected Retailers
1. Food	1. Women's clothing
2. Drug	2. Men's clothing
3. Liquor	3. Shoes
	4. Furniture
	5. Floor covering
	6. Appliance
	7. Paint

Their basic assumption in making this census is that sales quotas are based on an analysis of the purchasing abilities and needs of the families who make up the various markets.

The census was then broken down into thirty-eight sales areas which have been classified as: North 1-7; Northwest 1-7; West 1-9; Southwest 1-7; South 1-7; Loop.

Method. The 1948 Retail census used a crew of twenty-one undergraduates in marketing and advertising under the direction of six men of the Tribune's Sales Development Division.

There were 36,458 interviews made in a ten-week period.

They used a so-called saturation block by block method with the objective of classifying retail stores by: (1) size, (2) type, (3) selling area, (4) items stocked, (5) brands carried (six of ten classifications), (6) number of employees and (7) volume of sales.

The entire project of pre-testing, executing and tabulating took six months. Four hundred pre-test calls were made before the final preparation of the questionnaires.

Trained enumerators were used to collect the information. As previously stated there were twenty-one. They were given a three-day indoctrination program designed to give them the background, need, use and general survey of marketing research procedures and the methods they were to use. They were then taken into the field and shown how to gather information in all of the ten types of stores. They did their actual work in teams of five under a supervisor. Usually one man was sent down one side of the street and one was sent down the other to canvass each store.

The data were collected and edited daily by the supervisors and finally tabulated on I.B.M. cards so that any correlation of the data desired would be possible and relatively inexpensive.

The cost of the census was in excess of $25,000. A charge of $50.00 was made to any group that wanted the final tabulation presented in the form of retail directories.

Additional Information. The retail directories, besides including the information already stated, also contained area maps and the number of families in the area classified by rental groups into above average, average and below avefage families according to the 1940 census.

Although calls were not made on corporate chains they were listed and the number in each district was given.

Those chains listed were: The Great Atlantic and Pacific Tea Company, Jewel, Kroger, National Tea Company and High-Low. Continuous data on these chains such as addresses, closings and openings are available.

Any further tabulation desired would be made at cost of tabulation.

Food store census. There were 11,697 interviews of all the independent food stores with a sales volume in excess of $50,000 annually.

Questionnaire. It had classification data as to the name of store, address, zone and name of the enumerator.

The questionnaire itself consisted of eleven questions.

1. Classification: A [MEAT] B [GROC] C [COMB.] D [FRUIT]

2. Buying affiliation: E-L (8 CLASSIFICATIONS)

3. Service: M [SELF] N [CLERK]

4. Size of outlet: O [SMALL] P [MED.] Q [LARGE] _____ SQ. FT.

5. Size of fresh meat department: R [SMALL] S [LARGE] _____ SQ. FT.

6. Handles frozen food: T [YES] U [NO]

7. Handles Ice Cream: V [YES] W [NO]

8. Handles liquor: X [YES] Y [NO]

9. Number of employees including proprietor:

Z [3 OR LESS] AA [4-7] BB [8 OR MORE]

10. Number of full-time butchers: NONE ☐ CC 1 ☐ DD 2-3 ☐ EE 4 OR MORE ☐

11. Volume of Gross Sales: UNDER 75,000 FF ☐ 75,000 & OVER HH ☐ NO ANSWER II ☐

The information was taken from the questionnaire in the code provided and transferred to a card for each store.

Typical card. NW4 - 127 - CEMOSTWYZ - DD - HH

Store Grocery
4311 Fullerton
Chicago 39, Illinois

Use. This survey gives extensive information on independents, thus eliminating an extremely costly survey of the area which would consume a great deal of time. It tells rapidly where they are, their size and the competition that can be expected from them. Furthermore, the areas are broken down initially and classified which, although very general, is at least the initial part of any survey. Exact or direct information would be much easier to obtain if this were used as a starting point.

Sales Operating in the Chicago Market - Herald-American

Covers.

1. Grocery stores	Chain	Independent
Chicago	731	6,578
Suburbs	296	2,402
Total	1,027	8,980

2. Meat markets

Chicago	1,310
Suburbs	217
Total	1,527

3. Drugs
4. Beer outlets

5. Liquor outlets
6. Tire
7. Gasoline
8. Electrical appliances
9. Paint
10. Hardware
11. Department stores
12. Men's wear
13. Women's wear
14. Shoes
15. Furniture
16. Jewelry
17. Variety
18. Stationery

Method. It is broken down into 53 sales divisions and the Loop in Chicago, and by suburbs - Evanston, Oak Park, Cicero, Berwyn. A similar method of enumerating was undertaken.

The stores were classified by:

SM - Super Market
A -
B -
C -
Del - Delicatessen

They were coded by:

FF - Frozen foods
VD - Vegetable department
MD - Meat department
BD - Baking department
B&L - Beer and liquor

Typical Listing

D&M Food Mart
1338 Devon
Chicago

A VD FF

The survey was made within a 40-mile zone, within a six-county metropolitan area. It also supplements its data, non-chain store, with the addresses of the chain stores in the area. Covering the A & P, National, Jewel, Kroger, and High-Low.

Economic breakdown by sales divisions.

1. Population as percent of city
2. People (total 3,596,808)
3. Families (993,621)
4. Theaters (309)
5. Wired homes (989,503)
6. Monthly median rental ($34.00)
7. Owned homes (230,975)
8. Percent owned (23 percent)

It also gives a breakdown of the dwellings:

Total	989,503
One family	164,920
Two family	219,482
Multi-family	603,958
Other	1,143

Plan of data. The information is presented in two sections. First of all, the report covering the whole survey and secondly, in booklets for each sales area giving the data on the store and the address as already described.

The report consists of:

For each sales division

1. Map of the area
2. Transportation lines
3. Descriptive outline

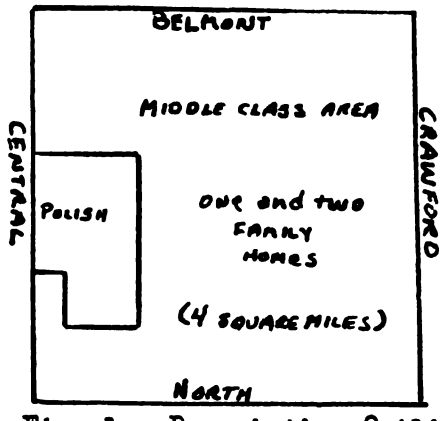

Fig. 1. Descriptive Outline

4. Proposed major changes such as: highways, transportation lines and any major building.

5. The economic breakdown as already presented

6. The distribution of retail outlets

Use. The Herald-American survey performs a service similar to the Tribune survey by giving an economic and competitive picture of small market areas and a collection of data necessary to plan store location accurately all in one compact analysis. Work of this kind would be prohibitive from the standpoint of a retail chain, but when developed for a large number of outlets and made by a group already organized for such an operation, it is much less expensive. It too, is broad in coverage and does not pin-point definite ideas but it makes detailed development possible and more effective.

The Milwaukee Journal Consumer Analysis

Another good example of a market analysis undertaken by a newspaper is the Milwaukee Journal Consumer Analysis. It offers one of the most comprehensive market studies undertaken by a non-governmental agency. The Milwaukee Journal started its consumers analysis in 1922 and has continued it annually, presenting a good picture of this single market and tracing its changes through the years.

The methods of analysis developed by the Journal have spread to many other areas and newspapers throughout the country who are undertaking similar consumer analysis of their local markets. Some of these are: The Philadelphia Bulletin, Indianapolis Star and News, Omaha World Herald, St. Paul Dispatch and Pioneer Press and the Sacramento Bee. At the present time there are 14 similar studies, which can be readily compared.

The survey gives a very complete picture of the Milwaukee Market, developing family grocery buying habits, such as stores patronized, distance traveled, preferred shopping days, much income and consumer characteristics data and, finally, brand choice.

The survey covers food products, toiletries and cosmetics, beverages, homes and appliances, automotive and a general classification including cigarettes, cigars, recreation, vacations and men's wrist watches.

Method. The consumer analysis is a personal, not a mail, survey. It permits an individual contact with 5,000 representative families for careful checking of all information obtained. In order to study the final flow of goods to the consumer, the Journal type of survey actually questions the consumer and then correlates the information obtained with a thorough check on store distribution.

Emphasis is on simple, direct questions, and the questionnaire is pre-tested each year in advance of the actual printing. Opinion questions are rarely used.

The pre-tested, confidential questionnaires are mailed to housewives whose names are selected at random from each page of the up-to-date Milwaukee city directory and from each of the suburban and township directories. Families are selected in such a way that each member of the overall population is given an equal chance of being sent a questionnaire.

A complete card index file is maintained of each Consumer Analysis respondent. It is possible to tell, within individual areas and census tracts exactly which families returned the questionnaires, as well as those who failed to return the schedule. In 1949, 76.5 percent of all

families who received the questionnaire personally returned it to the Journal building.

In order to obtain the proper percentage of questionnaires from each census tract and area throughout Greater Milwaukee, short duration, controlled mailings are used. Four days' time is given for the return of each questionnaire.

In 1949, 3,961 questionnaires were sent in the first mailing. A total of 3,071 was returned. A detailed record is kept day by day while the questionnaires are coming in, and accumulative percentages are computed for the proportionate return from the various sections of the city, suburbs and townships.

Second and succeeding mailings are weighted to assure proper proportionate returns from all areas. A total of 1,890 questionnaires was sent in the second mailing, of which 1,505 were returned. In the third mailing, 1,452 went out and 1,013 were returned. The total number of returned questionnaires was 5,589 of which 5,000 were used for tabulation. The surplus of 589 permitted two similar samples of 2,500 families each.

The area covered by the Consumer Analysis is the Audit Bureau of Circulation, Milwaukee City Zone. It is broken up into 28 homogeneous areas and the city of Milwaukee alone is further broken up into 153 census tracts.

To obtain the widest possible amount of useful information, the 5,000 families were split into two samples of 2,500 each. Thus, it was possible to use the entire sample of 5,000 families for small usership

items like baby food, permanent wave kits, some types of alcoholic beverages and others. For regular flour, white bread and other larger usership items, one of the two samples of 2,500 families was used.

A number of subjects included in both samples were tabulated separately for each group of 2,500 families to indicate the degree of sample stability. In the purchase of groceries, for example, the A & P food stores show a total popularity of 38.4 percent in one questionnaire and 37.9 percent in the other. The combined total for the neighborhood independent stores show 32.9 percent for one and 34.1 percent for the other.

Study of existing records, including building permits, gas meter and electric meter registrations, determines the density and percentage of population within each one of the 28 main areas each year. The required number of questionnaires from each area is determined by this density study.

For example, it was determined that Whitefish Bay had 1.6 percent of the total family population of the entire Milwaukee area. On a sample of 5,000, 80 questionnaires were needed from this suburb. A total of 131 questionnaires were mailed, of which 84 were returned. This follows the concept of "area sampling", which was followed in each of the 27 other main homogeneous divisions. For the city of Milwaukee questionnaires were coded by census tracts and districts, on a similar pattern. It covered approximately an area of 12 by 20 miles, with a population of 869,596 in 244,954 occupied dwelling units.

The homogeneous areas were selected on a average rental value of all dwelling units, owner-occupied as well as rented homes, in each of the

28 districts. The groups included were: (1) $75.00 and over per month; (2) $50.00 to $74.99; (3) $40.00 to $49.99 and; (4) under $40.00. By using random sampling proportioned and controlled as to location of families in each of the 28 districts, an accurate cross section is obtained of each major district as well as the community as a whole. The questionnaire returns were more than a 2 percent cross section of the family population in 1949.

All questionnaires are filled-in unhurriedly in the home, where each family has the opportunity to check brands accurately. The completed form must be returned to the Milwaukee Journal building by an adult member of the family.

An example of the reliability of the Consumer Analysis method and its sensitivity even in small segments of the over-all area has been found over a period of years in cross checks of survey projections against known figures. The cross check on homes heated with gas, for example, is made possible through the general question on home heating. In 1949, 213 families of the 5,000 reported heating with gas. This was 4.2 percent of the total. Projected, it would indicate 10,288 gas-heated homes, which is only slightly above the gas company's record of homes using gas for heating.

There can be no prompting or interviewer bias while the questionnaire is being filled in, but there is a positive checkback against any incomplete or ambiguous answers. A staff of 12 trained interviewers check all questionnaires for accuracy and completeness. They then signify their acceptability by placing an identifying code number on the first page. The housewife is then presented with a large shopping bag filled with

grocery and drug products totaling approximately seven dollars, merchandise donated by consumer product manufacturers.

All 5,000 questionnaires are precoded according to the area in which they fall before being mailed. All pages, which later will be cut apart for tabulation are stamped with the area number so that area checks by brand preference can be made. A further breakdown is made by income group (according to average monthly rental) when the questionnaire is returned so that each page can be identified as to exactly who returned the completed form.

Replies on the questions are projected from the sample of 5,000 to the 244,954 families in Greater Milwaukee after being analyzed, tabulated and totaled.

The same staff is used each year to determine brand standings as shown by the Consumer Analysis questionnaires. Four groups of women, working three to a table, tabulate the answers, which, in turn are checked for accuracy and figured percentage-wise by a comptometer operator. Each group specializes in a particular type of question on its individual phase of the questionnaire. Since the schedule has been cut into six parts, it is possible to have expert handling on each phase of the work.

The value of the Consumer Analysis is increased by supplementing the consumer data with a correlated record of store distribution of individual brands. A group of 250 independents and representative grocery chains make up the sample which is designed quite similar to the consumer sample.

Market data. There is an abundance of market data included in Consumer Analysis. It is almost like a miniature census. The data

included briefly consist of: (1) composition of families, (2) employment and occupations, (3) a population breakdown, (4) breakdown of families by home owners, families with telephones, automobiles, radios, television, mechanical refrigerators, et cetera, (5) home construction by year, effective family buying income by average, per capita retail sales, et cetera, and (6) men in the labor force, women in the labor force, et cetera.

Food products. First there is a breakdown of the sample by family grocery buying habits, including: (1) a grocery store preference rating (where families buy most of their groceries) by rental group ($75.00 and up, $50.00 - $75.00, $40.00 - $50.00, under $40.00), (2) day of week most groceries purchased, (3) groceries bought other days of the week, and (4) distance to stores patronized.

Example: Question: How far is this store from your home?

(Check One)

☐ Less than 3 blocks

☐ 3 to 6 blocks

☐ 7 to 11 blocks

☐ 12 blocks (1 mile) or over

TABLE I

DISTANCE TO STORE

DISTANCE	1949	1944	1943
Less than 3 blocks	41.5 percent	46.0 percent	45.4 percent
3 - 6 blocks	26.4	29.2	29.1
7 - 11 blocks	13.5	10.3	11.2
12 blocks (1 mile) or over	18.6	14.4	14.3
Total	100.0 percent	99.9 percent	100.0 percent

Finally, there is an analysis by food product, covering just about every branded item. For example:

Wax Paper

Do you buy wax paper? ____
What brand?_____

TABLE II

PERCENT AND NUMBER OF BUYERS OF WAX PAPER

YEAR	PERCENT	NUMBER
1949	98.5	241,280
1948	97.3	232,524
1946	94.0	215,191
1943	94.1	205,545

TABLE III

CONSUMER PREFERENCE AND DEALER DISTRIBUTION OF LEADING BRANDS

% of Families Buying Brand of Wax Paper					Independents		Distribution	Chains
BRAND	1949	1948	1946	1943	1949	1943	1949	1943
Cut-Rite	41.1	41.2	49.2	43.2	48.4	45.3	A N	A
Waxtex	35.9	29.2	18.0	8.0	27.6	12.7	A N	N
Fresh Rap	5.3	2.3	-	-	32.8	-	-	-
Kitchen Charm	4.9	7.1	7.8	5.7	6.8	9.3	A	N
Save All	3.1	1.5	1.1	-	11.6	-		
Rapin Wax	3.1	3.9	7.0	5.8	2.0	12.0	N	A N
I.G.A.	1.7	2.5	2.8	1.4	6.0	7.3		
Don't know	3.1	6.3	-	-	-	-		
Miscellaneous	6.5	7.2	14.9	37.1	-	-		
Total	104.7	101.2	100.8	101.2	A - A & P N - National Tea			

The Chicago Tribune Consumer Panel

The Panel is a stratified sample of Chicago and the 225 suburbs within a 40-mile radius of the city. For each reporting period, a constant panel of 576 families is used. These families, in their significant characteristics, conform closely to the composition of the total market. In the case of food and grocery items the reporting period is two months; for drugs and toiletries a three-month reporting period is used. In order to have 576 properly stratified families during a reporting period, it is necessary to maintain approximately 750 families in the complete panel operation.

Actual construction of the panel itself was preceded by nearly one year of preliminary research. In order to obtain up-to-date controls for panel construction, it was deemed necessary to study the population of Metropolitan Chicago.

This was done by means of a sample census, a research project which was planned in 1946 and executed in 1947. The findings were published in a complete report in October of that year, under the title, "Population Characteristics of Metropolitan Chicago, 1947". Out of this random sampling of the total market came a number of reliable controls which could be used for the purpose of constructing a miniature (panel) to reflect the purchases of the total market.

Four construction controls were used in building the panel. They were: (1) race and nativity; (2) tenure of dwelling; (3) size of family; and (4) total family income. The subdivisions of these controls are shown in the table below:

1. Race and Nativity	2. Tenure of Dwelling	3. Size of Family	4. Total Family Income
Native White	Owners	1 and 2 persons	under $3,000
Foreign-Born White	Renters	3 and 4 persons	$3,000 to 5,000
Negro and Others	-	5 or more persons	over $5,000

The four controls shown above, with their individual subgroupings, create a total of 54 cells, each cell representing a certain proportion of the total. Panel construction consisted in recruiting a sufficient number of each of the 54 family types to supply the exact requirements (plus sufficient reserves) of each of the 54 cells.

Three of the four controls used for construction purposes proved to be highest in correlation with food buying habits. The fourth (tenure of dwelling), while not having any significant bearing on food purchasing, is used because of its possible importance in measuring purchases of furniture, home furnishings, et cetera.

Some idea of the extent to which the Tribune consumer panel has been made to conform with its universe can be obtained from the table below:

		The 576 Panel Families are Distributed as follows:	The Sample Census Indicated this Distribution
No. 1	Race and Nativity		
	Native White	65.0 percent	65.1 percent
	Foreign Born White	23.1	23.6
	Negro	11.3	10.7
	Other Races	.6	.6
	Total	100.0 percent	100.0 percent
No. 2	Tenure of Dwelling		
	Owner Families	38.0 percent	37.1 percent
	Renter Families	62.0	62.9
	Total	100.0 percent	100.0 percent
No. 3	Size of Family		
	1 and 2 person families	31.8 percent	32.9 percent
	3 and 4 person families	45.8	45.5
	Families of 5 or more	22.4	21.6
	Total	100.0 percent	100.0 percent
No. 4	Total Family Income	Panel	Census
	Under $3,000 per year	33.0 percent	33.2 percent
	$3,000 to $5,000 per year	36.3	36.5
	$5,000 per year and over	30.7	30.3
	Total	100.0 percent	100.0 percent

The panel is operated by a Tribune subsidiary located in a downtown office building fully three-quarters of a mile from the Tribune Tower. All connections with the Tribune are completely concealed from panel participants. The subsidiary consists of 13 full-time employees under the direction of one of the Tribune's own research experts.

Each week the 750 panel participants receive from the downtown office an envelope which contains two things - (1) a new diary for the ensuing week, and (2) a stamped, self-addressed envelope for return of the current week's diary. Panel families report every week. They report purchases made between Monday morning and midnight of the following Sunday.

The diary used is of the write-in type. In it the family reports all purchases in the designated classifications. For each purchase made, the entry contains these items - (1) date of purchase, (2) commodity, (3) brand, (4) number of units, (5) size or content of unit, (6) total amount paid, and (7) store or vendor from which purchased.

Panel participants are paid approximately $33.00 a year for cooperating in the project. They are remunerated in the form of award points, by means of which they can obtain any one of more than 1,000 very desirable items of merchandise.

The information reported in the diaries is transferred to IBM cards. It is then tabulated by machine and reports are drawn off. The standard report (every two months in the case of food and grocery products, and every three months in the case of drugs and toiletries) is one which shows total amount purchased in each commodity, and the amount and percent of total purchasing each brand.

Report Period - July, August, 1950

Commodity - Butter

Average Purchase

Per Family - 5.13 lbs (per 2 months)

BRAND	Volume Purchased			Families Reporting 576		
	Size	Pounds	Pct. of Total	Number Purchasing	Number PERCENT Purchasing	Number Pct. of Purchasing
Commodity total		2,955.50	100.	507	88.0%	100.0%
Jewel		320.00	10.8	105	18.3	20.7
Sunnyfield		258.75	8.8	97	16.8	19.1
Natco		252.50	8.5	94	16.3	18.5
Hollybrook		161.00	5.5	58	10.1	11.4
Meadowgold		121.00	4.1	80	13.9	15.8
Kroger		85.75	2.9	42	7.3	8.3
etc.						

Fig. 2. Typical consumer report page

R. M. Goforth, of the Tribune Advertising Division supplies this additional information about the panel:

> "Retail grocers, the corporate chains, voluntaries and co-ops all find the Tribune Consumer Panel information most helpful in determining the grocery products most Chicago-land homemakers prefer. Each bi-monthly report is supplied to our clients without charge and is requested by more and more as the consumer panel continues. Without question, the panel information has been a most effective selling tool for the Tribune. It provided an excellent check for our national grocery product manufacturers in determining the effect of their advertising upon the purchases made in the entire Chicago market. It shows the effect of special sales stimulants such as two for the price of one sales and the like."

The uses of such a study can easily be seen, especially its value when it is considered as a continuous project reflecting not only a

static position but the dynamic changes in the market conditions which are often so difficult to detect.

A demand curve analysis of such data when consumer purchases are compared with price fluctuations becomes possible. Studies of curve elasticity of various groups are possible. Buying habits of various income groups are easily studied. Substitutibility of various products according to scarcity; seasonality of purchases can be clearly pictured. These are but a few of the many possibilities of analysis which are opened to the chains by such a study; and what corporate chain could undertake such a study in such a limited area and for so long a time?

CHAPTER V

MARKETING RESEARCH AGENCIES AND GOVERNMENT ASSISTANCE AVAILABLE TO THE FOOD CHAINS

A. C. Nielsen - Marketing Research Agency

When one thinks of marketing research, the name of A. C. Nielsen and Company will almost invariably come into mind. This is quite understandable when it is realized that the company was founded in 1923 and has conducted continuous marketing research surveys for the food and drug industries during that whole period when marketing research was quite an infant. It is by far the world's largest marketing research organization, with 2,000 full-time employees in four countries (United States, Canada, United Kingdom, and Australia) serving over 400 corporate clients continuously.

The company's primary job[18] is to help food manufacturers make the right decisions on questions of marketing policy or strategy. Mistakes made by the manufacturer affect the retailer in many ways such as the following:

1. They often load stores with products that do not move rapidly.

2. They sometimes fill the stores with such an overload of premiums that little space is left for groceries, and little time to sell groceries.

3. Some of the salesmen sent to call on the retailer are so poorly trained that they waste much valuable time.

4. Some of the goods are packaged in ways that greatly increase the work in affixing price marks.

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18 A. C. Nielsen, "Grocery Store Marketing - 1950", an address to the National Association of Retail Grocers, Chicago, June 5, 1950.

5. Display material does not always move the goods as fast as the salesman said it would - or fast enough to justify the space you gave to it.

6. When the manufacturer squanders money on ineffective types of advertising or on other inefficiencies, he may be forced to squeeze retailer profit margins and to raise the price to consumers, and increased consumer price means that you sell less and make less money.

Food store retailers who are interested in these things, then have some interest in this business of marketing research because marketing research, soundly conducted, is the most powerful tool possessed by the food manufacturer today in his struggle to reduce the cost of distribution.

This same business research can effectively be applied by the food chain executive, who also has similar decisions to make, although from different points of view.

Thus, the Nielsen Company submits marketing information revealing competitive position and progress, or lack of progress, in a designated marketing area, thereby enabling a comparison of one group of stores with similar stores located in the same market or for the United States in total. This comparison not only is available on an all-commodity basis, but likewise for individual commodity trends, i.e., coffee, soaps, baby foods, margarine, and the like.

As previously stated, the Nielsen Food-Drug Index is primarily designed for manufacturers and its major purpose is to measure consumer sales of commodities every 60 days, thus giving the manufacturer a picture of his actual consumer sales, not just factory sales which are far from the same.

To perform such a function, it is necessary to obtain sales data from a representative group of chain and independent stores, carefully selected so as to provide a true cross section of all retailing activity in each marketing area throughout the entire United States.

Food store selection. The development was made from information based on the United States Census of Distribution.

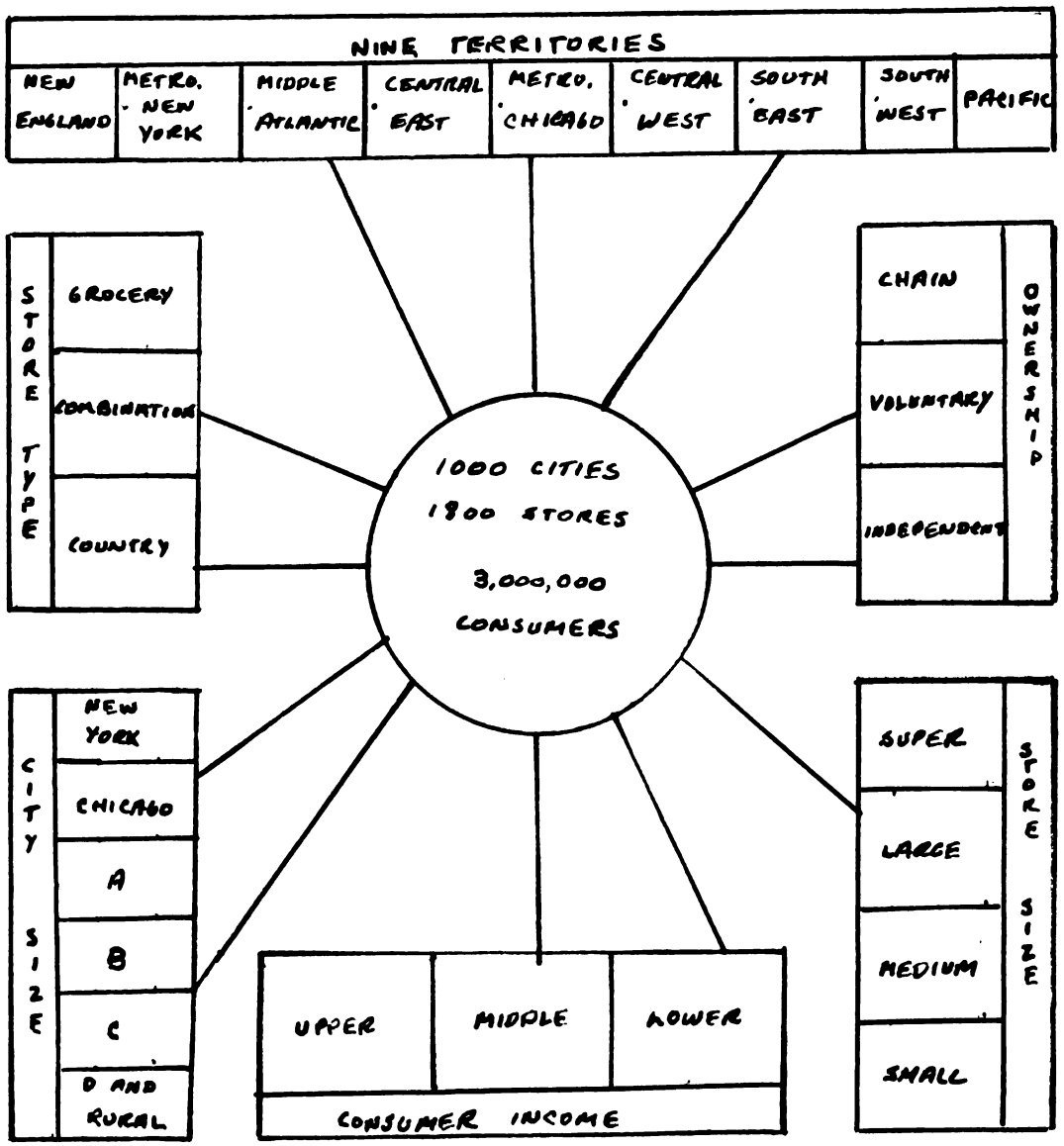

Fig. 3. Food store selection

Principles of store auditing. The retailer is not expected to keep the records other than merely saving every invoice of purchases made between the inventory periods.

"Blank" Brand Baking Powder
in John Doe's Food Store

For December - January, 1939

PURCHASES:		NO. OF ORDERS	PACKAGES	VALUE
From manufacturer		1	24	$ 7.00
From wholesalers		10	62	19.10
Total				$26.10
INVENTORY:				
January 1	114 pkgs.			
March 1	93 pkgs.			
Change		21		
CONSUMER SALES:				
Packages		107		
Price, per pkg.				$ .41
Dollars, Total				43.87

STORE PROMOTION:	YES	NO
Window display	X	
Inside advertising		X
Inside goods display	X	
Local advertising, by store	X	
Special price sale	X	
At what price?	$ .39	

Fig. 4. Principles of Nielsen Index auditing

Types of information secured. The basic data gathered through the use of the previous form is analyzed to reveal twelve types of information. Since all Nielsen Index data are punched on tabulating cards, special breakdowns are readily obtained (e.g., sales in stores that display goods

versus sales in other stores). These special breakdowns frequently furnish the solutions to the most perplexing marketing problems. Note that all work is repeated every two months, so that trends are determined on all types of information. Continuity and accuracy are the primary features of this type of research.

1.	Sales to Consumers	7.	Prices (Wholesale & Retail)
2.	Purchases by Retailers	8.	Retail Gross Profit
3.	Retail Inventories	9.	Direct vs. Wholesale Purchases
4.	Stock - Turn	10.	Average Order Size
5.	Distribution	11.	Dealer Push (displays, spec. adv., etc.)
6.	Percent Out-of-Stock	12.	Total Sales - All commodities

Broken Down By:

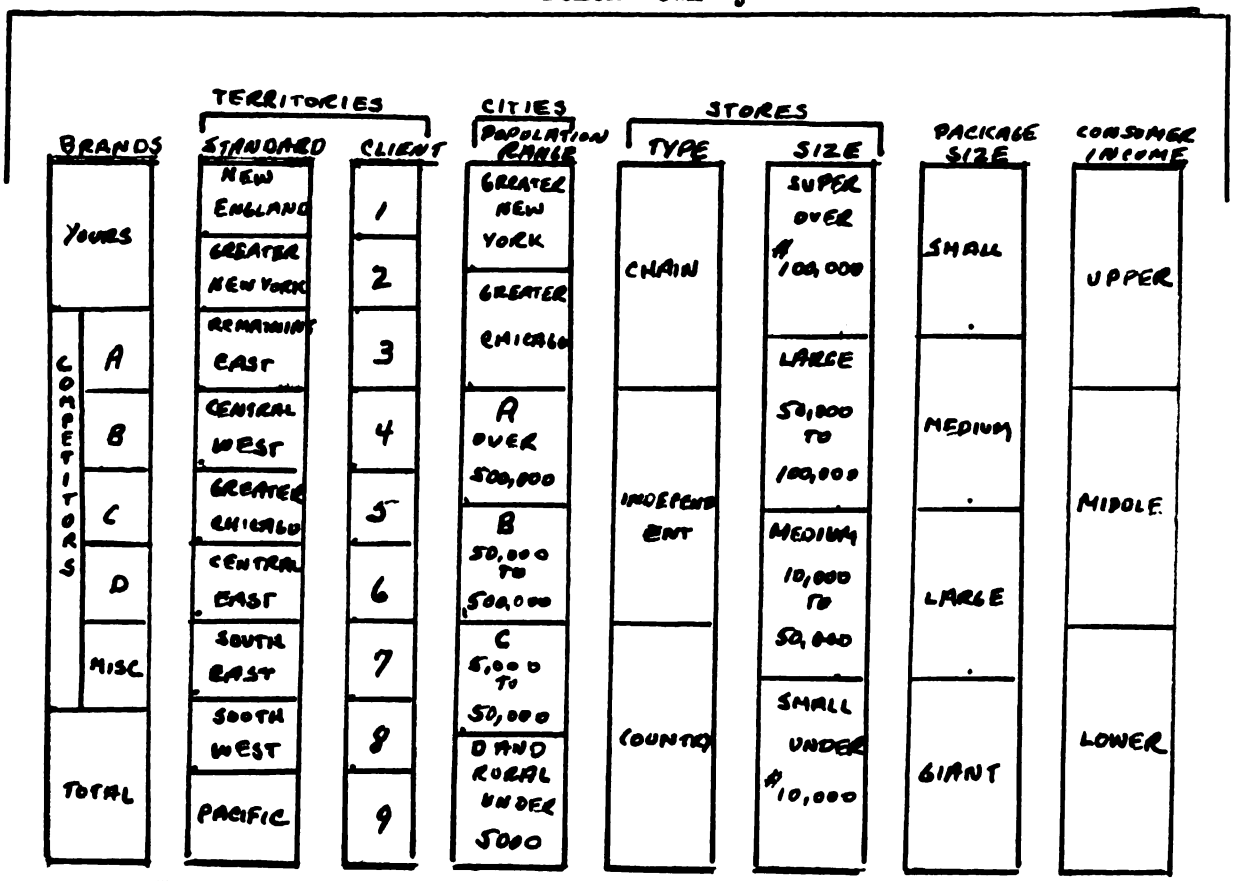

Fig. 5. Complete list of data secured (Nielsen Food Index)

Manufacturers use Nielsen Index data in the following primary ways:

1. To distribute avertising and merchandising effort correctly among various territories, city sizes, store sizes, seasons, and consumer income levels.

2. To separate the profitable from the unprofitable; e.g., (a) copy appeals, (b) quantities of advertising, (c) types of media, (d) deals, combinations, premiums, and so forth, (e) displays, et cetera, (f) radio programs.

3. To detect marketing weaknesses and to reveal the result of every effort to correct them.

4. To provide advance warnings of sales declines, competitive inroads, need for a change in product, package, et cetera.

5. To reveal the causes of sales declines and to point toward the remedies.

6. To detect gains or losses in dealer good-will.

7. To determine the most profitable price levels.

8. To pre-determine the results of proposed promotional expenditures. This is done by testing in certain cities or areas.

9. To reduce the risk of marketing new products.

Since many of the large chains do a good deal of manufacturing and since they almost all carry private label merchandise, the Nielsen Index will be valuable to the chain in the same ways it is to the manufacturer, besides being able to give valuable information on competitive standing in many areas and on many products.

The A. C. Nielsen Company has over 2,000 full-time employees. There are well over 100 field men continually working on the store audits for the Food-Drug division.

The method of securing consumer data from each retail outlet consists of:

1. Obtaining an inventory record of the items being studied. This covers only a few commodity lines and not complete inventories of all merchandise handled by the store.

2. Obtaining a record of quantities received by the store during the 60-day interval between calls, for the commodities included in our studies. By knowing the inventory change and the quantities of merchandise received between calls, sales to consumers can readily be determined.

3. Obtaining a record of total store dollar sales for the 60-day period. These figures are projected and merged with volumes from other stores to determine the dollar volume for the entire market.

At the time of each call and for each store used, a $4.50 cash payment is made. The only work to be done by the retailer is the retaining of the record of his purchases, preferably the invoices. This nominal payment is quite insignificant to the larger organizations who are more attracted by periodical reports on retail trends.

In a pamphlet describing the company and its work to a chain organization the following qualifications were included under permissible uses of the index and disclosure safeguards:

> "Obviously, for permission to use a few of your stores as a part of the Nielsen Food Index, you would expect, and justly so, to receive valuable marketing information. However, there must, of course, be a clear understanding as to the uses of data made by either party.
>
> "For your protection against disclosures which might prove harmful we would expect to agree in writing 'to never divulge records, facts, or figures to any party or parties except as a part of an anonymous group report'. It is recognized that this wordage or any other might be subject to question if there were any possibility of intent to side-step the thought of nondivulgence. However, we believe our past

record of dealing with chain organizations, many of whom have been with us since the inception of our business, furnishes a more positive proof of our intent in this respect than any contractual stipulation we might now evolve.

"As further protection against the possibility of divulgence or the eventual request for divulgence, we stipulate in our client contracts that the Nielsen information of any type 'is not to be furnished separately for any individual store or chain organization but is to be supplied only as specified, the figures for each group (chain or independent outlets) being projected figures designed to reflect the approximate volume of all retail stores'".

"In this same connection we must, of course, point out now that we could never report to you any detail of any kind secured from any other single chain organization. This would not deny comparisons of any kind you desired against the total chain record in any large area or nationally, but it might prevent in some instances furnishing all of the detail that you might like. We recognize that our position in this matter may sound arbitrary, but we have no alternative but to respect confidences to exactly the same degree as bankers, lawyers, or public accountants."

The Food-Drug Index which has been discussed is only one of the many Nielsen Index Services. At the present time the company has the following Index service:

A. Nielsen Drug Index
B. Nielsen Department Store Index
C. Nielsen Food Index
D. Nielsen Radio Index
E. Nielsen British Food and Drug Index
F. Nielsen Canadian Food and Drug Index
G. Nielsen Syndicate Store Index
H. Nielsen Australian Food and Drug Index
I. Nielsen Pharaceutical Index
J. Nielsen Variety Index
K. Nielsen Consumer Index
L. Nielsen Television Index

With the development of radio and television advertising by the food chains the Nielsen Radio-Television Index will become an important tool in measuring the success of advertising through such media.

The company is attempting to find answers to such questions as: What happens to radio listening, in a typical American home, when a tele-

vision receiver is installed? Through its many electronic devices devised and used in measuring radio listening besides those now in use on television, the advertiser should have a good picture of the most effective way of advertising through a combination of this media.

Another of the more significant pieces of information put out by the Nielsen Company as an assistance to members of the food industry, particularly helpful to the food chains, are the bi-monthly reports on food trends issued six times a year. Once a year it contains the Nielsen Year-End Report of Retail Food Sales with a review of the past decade ending with that year. This is usually completed and ready for publication around the middle of March. This includes a general economic review and some factors that influenced the food business for that year.

The Nielsen Year-End Report of 1949 Retail Food Sales. The report is made in two sections. The first is:

A Decade of Food Store Sales in the United States

It first indicates the general trends such as population, population changes by areas, growth in individual income, consumer income changes by area, per capita income, disposition of individual income and division of retail sales.

Next, it indicates the annual food store sales trends, by territory, per capita and compared to disposable income. Food store efficiency, grocery sales by type of service and advertising by types and city size are also included. Finally, a comparison of sales trends of chains and independents by territories and city sizes.

Thus, there is a compilation of much valuable data in a compact report indicating general trends making a rapid comparison possible of a

single chain's data with these over-all figures for the busy chain executive. A rapid pinpointing of failure to meet the average or less favorable increases compared to last year thus indicating a need for additional attention. Sales increases looked at as sufficient when viewed on a comparative basis indicating a less favorable increase. Naturally comparisons are limited because of the large area covered by the figures, but it still gives a good over-all picture.

The second section is the bi-monthly:

Report of Retail Food Store Sales Trends for December - January, 1949-50

These reports, as previously stated, are made six times a year. They cover such things as sales trends by territories on the two-month basis compared to last year and the last two-month reporting period. This is broken down by territories, by size of store, by chains and independents and meat sales as a percent of total sales of the store.

Then the analysis continues with chain food store sales trends, by territories, and by city size.

With this report one can see part of the final use made of the data collected in the store audits. This is mostly generalized material collected primarily from the sales volume reports but more specific information can be obtained and smaller areas covered with the limitations stated previously. Then besides this are the single commodity reports, which are handled primarily on a chart basis, e.g., Sales Comparison of Frozen Orange Concentrate and Single Strength Orange Juice, with various significant breakdowns.

Summary. The A. C. Nielsen Company primarily does work designed for the use of food manufacturers in an effort to make their part of the market-

ing function more efficient. The food chains have cooperated readily with the company in giving their section of the picture. Much of this information though necessarily general, is adaptable to information needed and used by the food chains. This can be easily seen when we see the impressive list of chains throughout the country cooperating with Nielsen representatives in their bi-monthly store audits.

A partial list includes American Stores, Colonial, Grand Union, Jewel, Kroger, National, Loblaw and Stop and Shop. Of the major chains, only Safeway and A & P seem to be missing.

As more and more use of television is made by the chains as a primary method of advertising, more of the Nielsen information will be used by the food chains. It will help them do a more efficient job in serving the consumers.

Industrial Surveys Company

Another marketing research agency doing significant work in the food industry is the Industrial Surveys Company. Like A. C. Nielsen, Industrial Surveys work is designed primarily for the manufacturers and packers of nationally distributed products. With regard to the larger food chains, insofar as many of them are packers and manufacturers in that they have their own private labels of certain products, the reports would have the same applications.

Mr. Rome G. Arnold, Vice-President of the company states some further important uses made of the type of data developed by the company as:

> "1. For many product classes as a whole, such as family four, coffee, margarine, and the like, we can report to a food chain the purchase rate or potential in the entire territory in which they do business.

"In this way they would be able to estimate whether or not they are doing an above or below average job in selling each of the chain's products. Obviously, this enables them to spot weaknesses in promotional activities on certain products.

"2. We could show what percent of his total business a consumer gives to the particular chain and what percent he gives to other chains or other independent stores in the area. This could be applied, of course, to individual products as well as total dollar volume (on only the products for which we get information. We do not attempt to get all of the food purchases of our participating families, omitting fresh vegetables, fresh meats, et cetera.

"3. A chain might well be interested in brand positions of the major manufacturers and packers in the chain's territory to be able to analyze how the pattern of brand positions within the chain itself compares to the whole territory."

This information on brands in regard to their relative position and their sales trends is invaluable. This is clearly seen when one considers the many difficult decisions that must be made by buyers and merchandising executives in adding new items, discontinuing others and in following brand shifts. They must have facts other than their own sales figures to make more intelligent decisions and the work done by Industrial Surveys can offer much of this necessary information.

"The limitations, of course, are in the number, size and distribution of the stores of the particular chain. Our sample size is not large enough to be valid for use by any other than the eight or ten largest food chains."

Even though there is this limitation, much of the information gathered by Industrial Surveys would still be valuable although not directly applicable to the smaller chains.

Industrial Surveys Company maintains two primary facilities which provide continuous marketing information for manufacturers of food, drug and household products and their advertising agencies.

1. The National Consumer Panel - the source for facts about consumers and their purchases.

2. The National Retail Grocery Audit - the source for facts about food store distribution and inventories.

The National Consumer Panel. The National Consumer Panel is a representative national sample of 4,200 families. These families are scientifically selected so that the Panel represents all segments of the total United States population. Every week each family submits a detailed record of all purchases covering a field of approximately 70 food, drug and household products. Information is reported in diary form by date of purchase, brand name, type or variety, size, volume, price and kind of outlet in which purchased. Families earn points, redeemable in quality merchandise, for submitting reports. A substantial majority of these families remain in the Panel year after year.

This service provides a continuing analysis of the United States consumer market and supplies complete information on the trend and level of national product movement by type and brand. The national market is divided by geographic areas, (tailored to meet each client's needs), city size and types of retail outlets. Further correlation of purchases with family characteristics makes it possible to point out the differences of purchase volume and brand position within selected breakdowns, such as family size, economic class, children's age groups, occupation, age of housewife and others.

The continuing nature of the panel containing purchase information secured from the same families, makes possible the study of consumer buying patterns over extended time periods. Such studies reveal the fundamental changes in brand strength as measured by repeat buying

together with the sources of customer gains and the eventual disposition of customer losses.

Types of families accounting for the major portion of product purchases can be isolated and examined at the consumer level. Success or failure of new or improved products and revised promotional or sales methods can be evaluated as indicated by actual consumer performance.

Manufacturers' sales are dependent on reaction at the consumer level. To measure this reaction, National Consumer Panel reports are presented quickly - approximately three weeks after the end of each month. Weekly reports to meet specific situations are delivered within six days.

Purchases made from all sources are included - food stores of every type and size, drug stores, house to house, mail order, et cetera. All brands and types of a product are covered. The service is complete and therefore flexible. Basic data can be adopted to meet immediately any new set of marketing conditions.

The National Retail Grocery Audit. The National Retail Grocery Audit is based on a national sample of 2,000 food stores. Probability sampling techniques, designed in cooperation with the Bureau of the Census, have produced the most accurate and representative continuing sample available today. Stores are entered by the Industrial Surveys field staff during the first week of February, May, August and November. Interviewers report two basic facts about the required list of items:

Distribution - In or out of stock at time of audit

Inventory - Physical count of can or package volume

Facts about store distribution and inventory are correlated with store location and classification. Reports may show distribution only, or both

distribution and inventory. Requirements can be comprehensive to cover all types and sizes of numerous brands or restricted to cover only one brand, or one variety of all brands.

Distribution and inventory are provided for the United States in total and geographic areas plus the New York, Chicago and Los Angeles markets separately. Additionally, breakdowns are provided for kind of business, city size groups, type of management and store dollar volume. Special information may also be secured regarding displays, shelf facings, pricing, or other store considerations.

Reports on food store distribution and inventory are fast and flexible, built to supply maximum information about these basic retail conditions at a minimum cost to clients.

Industrial Surveys Company Service. Implementing the factual reports, trained Client Service executives are assigned to each account in order to interpret Industrial Surveys marketing data and assist in applying results to clients' operations.

J. Walter Thompson Company

The J. Walter Thompson Company works on the fundamental idea that saying and doing are two different things. They state: "The observance of this distinction is the key to any objective study of the consumer. For, in the final analysis it is not what the consumer says about your product, but rather what he does about it, that counts."

The J. Walter Thompson Company in an attempt to find out what he does about the product, conducts a continuous Consumer Purchase Panel of the daily buying habits of 5,000 representative families throughout the United States.

The panel is a statistically accurate cross section of all the people in the United States. Purchases are recorded daily indicating where they are made. The continuous purchase record is forwarded monthly to the company for study and analysis.

These records provide a continuous case history of the facts about each family's purchases. Buying habits can be checked against family characteristics. It has proved its reliability as an index of buying habits of the entire country.

Again this is primarily designed as a tool for the manufacturer and is much too broad an analysis except for the top two or three food chains which cover large areas and thus could use such a representative national study.

However, it does point up the work being done in attempting to learn more about the consumer, her likes and dislikes, and trends of this kind, which through such a study are rapidly brought into view. This work is valuable to even the smallest chain in making them more conscious of the dynamic market they are facing.

Since information gathered by the company is available only to clients, its usefulness is limited. It is plainly seen, that an expenditure for a study such as this by a small chain, would be much less beneficial than the many other outlets of marketing information that are available to the chains in their own areas which can present much better and more pertinent information.

Other Sources

This chapter previously has been investigating some of the specific marketing research agencies, some of the information they can make available to food chains and assistance which they can offer. There are many other sources available to the food chain. Care must be exercised in selection of these sources because there is less of a demand for an honesty of purpose and more of a temptation for a twisting of statistical data to meet a special purpose. However, much of this data is useful and, if considered in the light of this caution, can be used to advantage.

The information can be used to supplement data the company has - information that can be used as a basis for planning a specific study or research. This information forms the foundation and helps to narrow the problem, thus saving much of the expense of the initial work and blind research.

Examples of some of the various studies might include:

1. What the public spends for food and other items sold in food stores - 1948 versus 1947 and 1949 versus 1948 and 1947 - Food Topics Research.

2. Consumer Shopping Habits - Department of Agricultural Economics - The Extension Service - University of Maryland.

3. Stop, Look and Buy - DuPont study of Food Buying Habits - 1948

4. Family Shopping Pattern - Colliers Grocery Shopping Study - reports on various metropolitan areas (e.g. Kansas City, Boston)

5. Candy Manual for Food Markets - E. J. Brach & Sons

6. Magazine Sales in Super Markets

7. How to Merchandise and Operate for a Profit - Survey by Saturday Evening Post and Members of Super Market Institute - May 1949.

8. Survey of Food Buying Habits in three large cities - Armour and Company

9. Who Buys What Food in Super Markets - for McFadden Publications by A. S. Bennet Associates

10. Determination of Factors Influencing Brand Choice - W. F. Brown - Journal of Marketing

This is only to name a few of the hundreds of sources of information that are continually bombarding the food chain executive. Troublesome, yes, but at times invaluable in answering some of the perplexing questions confronting him.

It is easy to see that there is no lack of volume. The major problem is to determine which is significant and which is not. To find which can answer his questions and which cannot. This is a job in itself, but if it can be successfully accomplished, much valuable time and money can be saved and turned to more profitable use. The executive cannot hope to get all of his answers from this sort of material, but he can get a good many, or at least a starting point from which to direct some individual marketing research which can now go right to the core of the problem.

The Federal Government. There is no need to go into much detail about the information available from the Federal Government which would be of value to the food chains. Listings of them are easily obtainable at the district office of the Department of Commerce.

Needless to say the government does have available much of the information which is needed for market analysis, although it may be too broad

for much of the work undertaken. However, it too, serves as a basis to start many analyses.

The Population Census and the Census of Distribution plus the corollary data developed are used in many surveys and analyses to initiate the work and plan the sample.

An example of some of the more refined and narrowed studies made by government agencies might be represented by the following study:

Food Consumption of Urban Families in the United States - Spring, 1948 United States Department of Agriculture, Agricultural Research Administration, Bureau of Human Nutrition and Home Economics.

This study was further amplified into a series of commodity summaries based on the Food Consumption Surveys of 1948 and 1949. The series consisted of:

1. Meat Selection of City Families
2. Fats and Oils Consumed by City Families
3. Grain Products Consumed by City Families
4. Eggs and Poultry in City Diets
5. Sugars and Sweets in City Diets
6. Dairy Products in City Diets
7. Potatoes and Sweet Potatoes Consumed by City Families
8. Citrus Fruits Consumed by City Families
9. Fruit Selection by City Families
10. Vegetable Selection of City Families

This gives one of the most complete pictures on consumer buying habits ever undertaken and represents work that no chain could afford to undertake, but information through which they can all profit. This last statement in some measure describes an important part of the government's work. It is the food chain's job to find out what is available and then break it down and adapt it to its own purpose.

Summary

In this chapter an attempt has been made to point out some of the other sources available to food chains in their quest for marketing

research data. Sources used to supplement existing research departments in the larger chains and to do much of the work for those chains that do not have a distinct research department were also pointed out. No matter what the size, all of the functions must still be performed. Only the size and volume varies.

The marketing research agencies discussed were primarily interested in the manufacturer, but much of the information is adaptable to the chain's needs. We may find in the future more of an effort made by the companies to gain the business of some of the larger chains, who may prove to be some of the most valuable accounts if properly serviced with helpful and significant data.

There are many other sources that continually bombard the chains with varied bits of information. All serve a purpose and offer many valuable facts when properly screened and catalogued.

Finally, there is a myriad of information available from government sources. The main problems encountered are, first, the acquaintance with the information available, and second, the application of the facts.

Out of all of this one major thought seems to grow. That is: no matter how small the chain, one major job in research is present and is hardly avoidable. There is a need for one man to be responsible for the collection, cataloging and indexing of the information and sources of information available which will help solve marketing research problems. This is the first step in forming the department for many small chains which could be supplemented with outside agency assistance after they are able to clearly define the problems and know whether or not they have the

information at hand to answer their questions. This man, with the right background, could develop plans for marketing research work to be carried out by the individual departments for which he could serve as an advisor.

CHAPTER VI

CASE STUDIES OF FOOD CHAIN APPLICATION OF MARKETING RESEARCH

In the previous chapters the need for marketing research, the methods of appraisal, the extent of use by several chains at present, and the various sources of outside information have been covered. It is the purpose of this chapter to show by a case study how the chains have used the ideas developed and the sources of information available to solve various problems that confront them.

The first section is not an actual study made by a chain or actually used by a chain as such. It is merely an attempt to illustrate the possible uses of outside data, which have been discussed at length in this thesis, in the development of the thinking of food chain executives. Most of the cases presented represent a specific study to solve a specific problem. The first section is used for the purpose of showing how a study of general ideas may be made and used to develop lines of thinking or reasoning by executives in an analysis of what the future may hold in store for the company. The company plans for the future must be analyzed and formulated to consider the repercussions of these expectations, if the executives believe the facts represent the true conditions.

To serve the purpose of indicating the general use of marketing research studies this section on Consumer Shopping Habits has been included in this chapter on case study application.

Consumer Shopping Habits

The way to be successful in retailing is to give the customer what she wants, when she wants it and how she wants it. This is a simple

statement which belies the complexity of the problem. Those merchants who do succeed in retailing are the ones that can go straight to the core of the consumers' desires and then fulfill these desires to a large degree. The executives in the food industry are constantly considering the characteristics of consumers and devising means of more adequately meeting their demands.

The present techniques and facilities used in retailing food products are the result of countless experiments and much thought on the part of store operators, supervisors, research agencies, and others interested in increasing the efficiency and effectiveness of food distribution.

The wide variation in the characteristics of consumers makes it difficult to evaluate and describe their preferences, opinions and habits. A knowledge of these buying habits should be of considerable assistance to the store operator by serving as a basis for the development of more effective merchandising practices.

Much of the progress in the development of merchandising techniques has come about through the thought, initiative, and experimentation of the retail store operator. However, many mistakes have been made and many false conceptions are still carried. Further advancement depends on a coordination of effort between the researcher, the line executive and store operator.

The researcher must discover and establish the buying habits, methods and motives of the consumer. These ideas must be effectively transmitted to the store operator who can translate the ideas into effective and more efficient merchandising techniques.

This need has been seen by many and a volume of studies on consumer habits has been turned out. Some of these studies have been significant, while many are meaningless. However, they all serve a purpose. Research, in itself, cannot be applied in its pure state. By quoting the figures of a survey, that 49.6 percent of the consumers, purchase meat from independent meat stores, we have merely germinated an idea. All that is known is that approximately half of the consumers purchase meat from independents. It carries little significance until the reasons for purchasing from independents are determined. Then, the chain's methods of selling must be revised in light of these facts.

Finally, when all of the ideas on food retailing and what is most desired by consumers are marshalled into one complete picture, plans can be made to develop a successful series of merchandising techniques. These will be based more on what the consumer actually wants than on guesses of what she wants. Surveys must be taken, combined with field experience and experimentation, and then adapted to the peculiar circumstances which confront an individual chain. With this method the most effective merchandising techniques will be developed.

A consumer shopping habits survey made by the extension service of the University of Maryland, helps to illustrate the development of ideas and their effect on food store thinking.[19]

Questions such as: Why do consumers purchase food groups in a particular store? Where do consumers shop for food groups? What is the distance

19 Shull and Godwin, Consumer Shopping Habits, Extension Bulletin 137, University of Maryland, June, 1950.

traveled to purchase various types of foods? On what days do consumers shop for food? These questions continually are asked and continually are studied to develop the best method of reaching the consumer. Realizing that such a need existed, the extension service at the University of Maryland set out to find the answers from the actual consumer.

Method. Personal interviews were made with 464 consumers in Baltimore, Maryland, during August, 1948. The survey was restricted to the middle income areas of Baltimore, which was developed from the 1940 census indicating median block rental payments ranging from $25.00 to $34.00 per month. Baltimore contained 18 general areas containing a preponderance of such families. Interviews were obtained from approximately 45 households in 11 of these areas. The survey stated that:

> "Adequate and approved sampling procedure was followed in making a random selection of the households within each area. Consequently, the data presented may be considered as representative of middle income families in Baltimore, and indicative of the characteristics of middle income consumers in other sections of the United States."

Housewives were questioned to determine the basic reasons underlying their choice of a particular store as a place to purchase the family food supply. Information was also obtained on the shopping habits of the housewife and on the more important characteristics of the family.

Considerable caution was taken to avoid rigid field classification of responses to opinion questions. While prepared forms were employed in conducting the interviews, enumerators made no attempt to classify answers which did not readily fit into groups indicated on these forms. Unusual or unanticipated responses to opinion questions were given special consideration after the field work had been completed, and were, therefore, classified with greater uniformity than would have been possible if such

classification had been completed at the time of the interview. Personnel from the Maryland College of Agriculture were used as enumerators. Adequate instruction on interviewing techniques was given them before the field work was undertaken.

The Results of the Survey.

1.) The extent to which consumers shop for food. Baltimore housewives indicated a considerable inclination to patronize more than one retail store in the process of obtaining the family food supply. Food groups were broken into, meats, fruits and vegetables, canned foods, and dairy products. The housewives were asked to indicate the retail store in which they made most of their weekly purchases of meats, fruits and vegetables and canned foods. From the replies it was possible to determine the extent of the practice of purchasing from more than one retailer.

Forty-eight and two-tenths percent indicated they purchased all three food groups from one retailer. Nine and six-tenths percent purchased meats, fruits and vegetables from one retailer. Twenty and two-tenths percent purchased meats and canned goods from the same store. Fruits and vegetables and canned goods were purchased in the same store 6.6 percent of the time. Fifteen and four-tenths percent purchased each group from a different retailer.

These data indicate clearly the importance of good merchandising practices on the part of the retailer in all departments of his store. The fact that half of the consumers purchased groups of foods from two or more retailers emphasizes the importance of balance between departments within a store.

It is apparent that there are limits to which outstanding merchandising in one department can be used to build up total store volume. Special sales or special features in one department may increase store traffic, but it would appear that there is likely to be a larger increase in traffic than in total store sales.

2.) Why consumers purchase food groups in a particular store. The reasons why consumers choose one store over another should be of considerable value to retailers who feel that they are not meeting competition. The housewives were asked to indicate the underlying reason behind their decision to purchase each group of foods from the retailer they patronized rather than from others in the same locality.

a. Meat purchases

A tabulation of the reasons why consumers preferred a specific store in meat purchases showed:

(1) quality - 25.8 percent
(2) convenience - 21.8 percent
(3) selection - 20.9 percent
(4) personal - 13.1 percent
(5) price - 12.2 percent
(6) other - 6.2 percent

The assurance of fresh, well trimmed, high grade meats and the convenience of frequent purchases with little effort in obtaining grades, cuts, and types of meats desired seemed to relegate price to a role of relative unimportance in the selection of a retail meat seller.

This seems to indicate a need for a realignment of merchandising programs, with a greater stress placed on quality and selection in advertising and merchandising programs.

b. Canned foods purchases

The ranking of the reasons given were as follows:

(1) convenience - 29.1 percent
(2) selection - 20.9 percent
(3) price - 20.4 percent
(4) quality - 12.9 percent
(5) personal - 12.0 percent
(6) other - 4.7 percent

The ability to make frequent purchases with a minimum of travel and loss of time was considerably more important than the more directly economic factor of price. It also indicated the extent to which canned foods have gained the confidence of the consumer, showing that many customers automatically assume a good quality of canned products.

c. Fruit and vegetable purchases

In fruit and vegetable purchases:

(1) convenience - 33.3 percent
(2) quality - 23.6 percent
(3) selection - 16.5 percent
(4) price - 13.6 percent
(5) personal - 8.0 percent
(6) other - 5.0 percent

The importance of convenience may be partially ascribed to the bulky and perishable nature of fruits and vegetables and the consequent necessity for making purchases at frequent intervals during the week.

d. Summary

In reviewing the reasons for store selection we find convenience, quality and selection ranging far ahead of price. Convenience seems to be the major factor in most cases. Are the new, giant super markets lying in greatly separated areas possibly a step in the wrong direction? Has price been stressed too much in advertising? These are only a few of the questions brought to mind.

3.) Where consumers purchase food groups

TABLE IV

TYPE OF RETAIL OUTLET FOR FOOD GROUP

Type of Retailer	Meats	Canned Foods	Fruits and Vegetables
Chain	36.5 %	62.2 %	32.8 %
Independent	49.6	35.3	28.2
Specialty Store	11.3	-	10.0
Meat Store	2.7	-	-
Huckster	-	-	29.0
Other	-	2.5	-
Total	100.1 %	100.0 %	100.0 %

To a large degree, the more extensive practice of purchasing meats from independents is indicative of the importance which consumers attach to convenience and personal acquaintance in selecting a store in which to purchase these products.

In noting the relative importance of hucksters in fruit and vegetable selections one must remember the survey was made in August, the best time for hucksters.

The biggest opportunity for chain store sales expansion would seem to be in meat and produce through a development of superior or at least equal quality and superior promotion of their values and selection when compared to the independent stores.

4.) Why food groups are purchased from particular types of retailers.

TABLE V

COMPARISON OF REASONS OF PURCHASES

Reason	Meats		Canned Goods		Fruits and Vegetables	
	Chain	Independents	Chain	Independents	Chain	Independents
Quality	19.3%	27.2%	10.7%	17.3%	18.5%	25.7%
Convenience	20.7	24.2	22.9	39.3	23.2	30.7
Selection	22.8	20.3	25.5	13.6	22.3	14.9
Price	24.2	4.1	29.0	5.0	26.6	4.0
Personal	6.7	18.0	8.2	18.2	3.8	18.8
Other	6.3	6.2	3.7	6.6	5.6	5.9
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

The fact that the important reasons given for purchasing groups of foods from independents, chains and other types of retail outlets differed considerably points out the difficulties which the operators of each type of store must strive to overcome.

In meats, chains are strong in selection and price and weak in what have been found to be the two most important factors, convenience and quality.

The weaknesses are obvious. What can be done about it?

The data presented indicates rather clearly that there are many reasons other than price entering into the decision of the consumer to patronize a particular store for the purchase of all or part of her foods. It is interesting to observe that not only are other considerations of

importance, but that consumers apparently recognize that their preferences for certain stores because of convenience, quality, selection or other reasons, is often at the sacrifice of price advantages which they may obtain by shopping elsewhere. It is apparent that the grocery man who wishes to expand his business should consider factors other than price in his program to improve merchandising practices.

5.) Distances traveled to purchase various types of foods.

TABLE VI

DISTANCE TRAVELED PER FOOD GROUP

Distance Traveled (miles)	Meats	Canned Foods	Fruits and Vegetables
0 - .49	52.4%	56.5%	65.1%
.5 - 1.49	15.2	19.7	14.4
Total for up to 1.49 miles	67.6	76.2	79.5
1.5 - 2.49	17.4	14.1	8.8
2.5 and over	15.0	9.7	11.7

For many types of promotional work and in planning store location, it is essential that the retailer have some idea of the area which he serves. It is interesting to note in this study that over half of the customers shopping for each food group live within a half-mile radius of the store.

In meats over two-thirds of the customers live within one and one-half miles of the store. In canned goods three-fourths of the customers live within one and one-half miles. In produce it jumps to about four-fifths within a one and one-half mile radius of the store.

There is some tendency to travel shorter distances for canned foods than meats. There may be an exaggeration in the .5 of a mile group for produce due to the inclusion of huckster purchases, but it would probably be safe to say that it will lie somewhere between meats and canned goods or well over 50 percent.

Again the question comes to mind, which will be most effective, the extremely large stores, spaced at great distances or the medium-sized stores located closer together?

6.) Means of transportation employed in shopping.

The next logical step is how do they get to the store? This may further clarify the optimum store size and it will surely help to develop an idea on whether a parking lot is necessary.

TABLE VII

METHODS OF TRAVEL

Method	Meats	Canned Goods	Fruits and Vegetables
Automobile	43.9%	46.3%	34.6%
Walk	38.0	35.6	20.9
Public Conveyance	16.1	15.5	13.1
Delivery	2.0	2.6	31.4
Total	100.0%	100.0%	100.0%

The excessively high percentage in delivery of fruits and vegetables is again distorted by the huckster. However, in every case it seems as if people drive to the store more than they walk even though the shopping radius in over 50 percent of the cases is less than one-half mile.

Is this a trend, possibly showing a future of greater distances for shopping? Surely, if this use of the automobile continues, a parking lot will become imperative and perhaps the large super market may be the store of the future. Convenience may no longer be the prime factor, with quality, selection and price becoming increasingly more important.

7.) Frequency with which consumers shop for food groups.

This may add to the insight into what can be expected from the future by way of consumer habits. Should an attempt be made to channel the customer into the store several times weekly? This would smooth out the work load and make the medium size store the most efficient. Or is the trend toward one-day-a-week shopping, by automobile, in large super food stores an irresistable force of the future?

TABLE VIII

FREQUENCY OF CONSUMER SHOPPING

No. of shopping Trips per week	Meats	Canned Goods	Fruits and Vegetables
Once	60.0%	52.4%	63.5%
Twice	26.0	30.5	21.4
Three times	8.4	12.4	12.5
Four or more	5.6	4.7	2.6
Total	100.0%	100.0%	100.0%

These figures would seem to indicate that the trend has gone too far for any change from the once or twice a week shopping. The study indicates that over 80 percent in all groups are already shopping only once or twice a week. But still the convenience factor ranks high in the consumer choice of stores. Why is this true when she shops only once or twice a week and

uses the car at least 40 percent of the time? Perhaps a look at why housewives shop on Friday and Saturday may throw more light on the subject.

8.) Reasons why housewives shop on Friday and Saturday.

TABLE IX

FRIDAY AND SATURDAY SHOPPING

Reason	Percent of Housewives
End of Week	16.8%
Payday	13.5
Day Off	11.6
Selection	7.9
Convenience	37.6
Other	12.6
Total	100.0%

The term convenience covered numerous and rather varied circumstances, such as the availability of the family car on week ends, the fact that the husband was home to take care of the children or to go along and handle the packages, the fact that stores were open evenings after the housework had been completed, the convenience of Friday and Saturday in relation to housekeeping routines and other similar reasons.

These reasons and the habit developed seem to add up to a deep and swiftly flowing river whose course cannot be diverted. A continuance of this trend in the future can be expected.

Conclusions. The study has succeeded in its major purpose, that of developing an awareness of future problems. A rough idea has been devel-

oped of the prevalence of certain consumer habits in shopping and the germination of ideas as to changes necessary to tap most effectively the consumer market. However, the facts tend to develop a dilemma. The survey shows the trading area of a food store to be about one-half mile for over 50 percent of the customers. Convenience appears to be the main reason for store selection. This would seem to indicate medium sized stores rather closely spaced. While on the other hand, these same people use automobiles extensively and shop only once or twice a week, so why the great desire for convenience? A large super market located a good distance away would fit these circumstances. A solution to this dilemma is necessary to straighten out much of the thinking as to the future for a food chain and those that answer it correctly will be the most successful.

The purpose of analyzing this data is to reach conclusions which will lead to the formulation of plans. In doing this, the executive must look into and question various phases of the research to determine its applicability and validity for the situation he faces.

A suggestion of a few of these points now may tend to add a word of necessary caution in analyzing such data. First of all, can one consider the middle income family characteristics of Baltimore, assuming them to be typical through a correct research method, indicative of the characteristics of middle income consumers in other sections of the United States as the study states? With such a limited area and sample, such an acceptance would be doubtful and highly questionable.

Secondly, the wording of the method followed in completing the survey tends to suggest depth questioning, but this cannot be assumed. If this cannot be assumed, can the respondent to the survey be expected to

give her true feelings on all the questions, especially those concerning price? Is the housewife apt to place the true emphasis on price, which she actually feels, in answering questions in a personal interview survey? This, too, is open to question and considered highly doubtful by many.

Thirdly, it has been seen how the season has affected some of the results especially in huckster purchases thus creating a heavy bias which is not representative. This may add a bias to much of the other results. This, too, must be considered.

There are many other points that may be subjected to this type of reasoning. This brings out one major point that must never be forgotten and that is: the applicability and true representation of conditions must be considered in any use of marketing research and must be established without a doubt before one can proceed to any definite conclusions.

Store Location Through Marketing Research

For an industry which operates on a one to two percent net profit margin, an investment of well over one hundred thousand dollars in a new store must prove successful. A company cannot afford to tie up valuable money in an unprofitable store with a five or ten-year lease on the poor location, especially when that money could have been used in many other areas for an expansion of stores to meet competition. Errors of this kind can quickly destroy the competitive position of a company, which has taken many years to build.

At one time many store locations were planned on single judgement based on a haphazard collection of facts and sometimes on no facts at all. Stores were located on the intuitive belief that a store should be located

somewhere in this neighborhood. This was successful in many cases, while in many others a poor selection was made, dooming the store to failure before it even opened its doors.

However, this is no longer the case. Competition and limited funds have caused more efficient management to develop methods of determining with a great degree of accuracy the best location for a food store. The tools used by food store executives may be classified under a heading of marketing research.

In most store locations a complete analysis of the market or trading area is made. Consumer surveys study the location of customers and whether they drive or walk. Sales analyses are made of similarly located stores determined by such factors as population density, income level and nationality. Expected sales for the new store are then estimated. Independent analysis of the area is made by company executives and their ideas are collected on a questionnaire report. Finally, after the presentation of this factual data to a real estate committee, a decision as to desirability is made and plans put into operation. Then a follow-up analysis is periodically used to check the group's decision and the expected progress of the store.

This may be illustrated by the following plan used by Jewel Food Stores in store location through marketing research called, "Acquiring Locations."

General. A review was made of the entire Chicago Metropolitan shopping area, with respect to shopping points in this area - major, minor and neighborhood. In this respect the following areas were eliminated:

1 - All areas now served by the company's stores
2 - All undesirable areas
3 - All areas which are too close to company stores at other nearby shopping points
4 - Heavily foreign populated areas
5 - Extremely low income areas
6 - All sparsely populated areas
7 - All predominantly industrial areas
8 - All predominantly non-white areas

The areas of the remaining shopping points are then analyzed, one by one, as the need arises.

Sometimes a suggestion is made that a location be planned in an area not selected by the above method. If the area has possibilities, the same procedure will be followed in analyzing the area by assembling the information necessary.

In some cases the site may be offered in an area not selected on the above basis but which may have some possibilities. In this case, also, an analysis of the area will be made.

In an analysis of an area, the following information is gathered:

1 - Business block
2 - Trading area boundaries
3 - Housing
4 - Trading area population (numbers of people, income level, nationality, et cetera.)
5 - Total estimated food business
6 - Competition and size
7 - Transportation

This information is obtained through the use of various forms, along with a detailed explanation.

Decisions concerning locations are made by the real estate committee, based on the information available and the recommendation of the location investigating group.

Explanation of forms and sources of information.

1. Store Location - Area Information. An explanation of the headings

on this form and the sources of information are listed below:

a. Business Block. It is necessary to consider whether it is a major, minor or neighborhood shopping point. Major shopping centers, i.e., the Loop, Sixty-third and Halsted, are not generally good grocery locations, because food is usually purchased more on the basis of convenience to customers' homes.

Major shopping centers pull people from a much greater distance, but it is generally for non-food merchandise. Some of the best food store locations are in minor or in the neighborhood shopping centers in Chicago. In the suburbs, however, a central location is generally desirable.

Sources of Information

"Sales Operating in the Chicago Market"-Herald American
"Your Retail Link" - Chicago Tribune
Personal knowledge and current investigation

b. Trading area boundaries. Generally speaking, experience indicates that customers are pulled from up to a one-half mile radius of the stores. Company surveys indicate that the following percentage of customers come from the following distances:

63 percent - three block radius of the store

87 percent - four block radius of the store

13 percent - outside of the four block radius of store

Normally, insofar as city stores are concerned, a four block radius of the shopping point is the trading area. Natural barriers or artificial barriers such as; rivers, railroads and wide, heavily traveled streets, may tend to shut off people from the other side of these barriers. Such barriers must be considered and their probable effect on where people shop.

In suburban locations, the trading area boundaries are generally considered to be the suburban limits, plus that area within a reasonable distance of the suburb. The above is in reference to suburbs of from approximately 5,000 to 20,000 people. Large suburbs, from 25,000 to 50,000 or more people, must receive different consideration, since it will require more than one store to service the area properly.

Sources of Information

Various maps available
"Sales Operating in the Chicago Market" - Herald American
"Your Retail Link" - Chicago Tribune
Personal Investigation

c. Housing. The type of housing - one family, two family, or apartment areas - gives valuable information as to the density of the population and the size of the families. A visual survey of housing, with consideration given to the type and age of the structure, is indicative of the income level of the people. Areas which consist of predominantly new houses, built since the war, may not be as good a source of business as older sections, since many of the owners of new houses have substantially high monthly mortgage payments to make. In most cases, this payment is higher than rent would be in older sections or mortgage payments in older sections where houses may be largely or completely paid up. These new housing areas also represent a possible fast declining sales volume in bad times when owners will cut down on food purchases in order to continue to meet their mortgage payments. Future growth possibilities of areas must also be considered. Generally, it should be known whether the area is fully developed, or not. Is there room for future growth? Is it a stable area or is it a declining area?

Sources of Information

Census Tract Information
Chicago Land Use Survey
Chicago-Tribune Business Survey
Herald-American Maps
Visual survey of area
Building Reports - suburbs only

d. Trading area population. The density of population in Chicago varies from 50,000 to 5,000 in a one-half mile radius of a given point. The average size family is 3.6 persons. A study made of sales in Jewel stores indicates that a trading area population of under 15,000 may result in a sales volume too low to support a unit of the size which the company operates. They are, therefore, very careful about approving areas with a population below this figure.

Suburban areas and locations are generally considered on the basis of a slightly smaller trading area population. The trading area is generally considered to be the suburb itself, plus the population outside the suburbs which is likely to trade in the suburb.

(1) Income level. In Chicago this is determined from census tract information and from newspaper and market information sources as well as visual surveys of the area. The income level gives a clue as to the volume of business possible. One source of information indicates the following:

Above average income level families (above $5,000) spend $23.19 per week for food. Average income level families (3,000 - 4,999) spend $20.00 per week for food. Below average income level families (below $3,000) spend $13.81 per week for food.

(2) Nationality. This can generally be determined from the census tract information or from newspaper market information but is

also determined by personal knowledge of the areas and on the spot surveys.

Sources of Information

1940 census tracts
Bell Savings Reports
1940 Population Map (Chicago Regional Planning Board)
Map of New Residential Construction by Neighborhood 1940 - 1946
(Chicago Plan Commission)
Population Density Map (made by Jewel field surveys)
Chicago Tribune Economic Status maps
"Your Retail Link" - Chicago Tribune
Chicago Tribune Business Survey Book
Chicago Land Use Survey

e. Total estimated food business of area. By estimating the percentage of families in the various income levels, it is possible to estimate the total food business of the population in this trading area.

Formula:

(1) Population times percent of population in three income groups = population in income groups.

(2) Population in income group times dollars spent per week for food = total dollars spent per week for group.

(3) Add total of the three groups.

f. Competition and size. This is limited to major competitors and is a guide as to whether the area is adequately or inadequately serviced by existing food stores.

Sources of Information

Herald-American Sales Division Maps
Visual Surveys

g. Nearest Jewel store. This is simply to see if a store at this shopping point would affect the sales of any other Jewel store which

is at a nearby shopping point.

h. Transportation. This is not too important except that a transfer corner may result in additional business and also that people who come to the street for transportation may find it convenient to shop for food on their way home.

i. Other 50-foot Jewels in similar areas. Since the standard store is a 50-foot store, by selecting other 50-foot stores with comparable population type, density and income level, a total of the other stores' sales and populations can be made so as to arrive at a sales per 1,000 population figure. This figure can be applied to the population figure of the proposed area as a means of estimating the possible sales volume.

This method is proving itself quite accurate. Experience has shown that the company can predict the new stores' sales within 5 percent from the comparison with similar areas.

2. Outline Trading Area Map. This outline represents a one-half mile radius of the shopping point (four blocks in each direction). Added to this outline are any artificial or natural barriers, indications of business streets, location of competition, and population in each quarter section. This helps in getting a complete picture of the area.

3. Store Location Site Information. This is for the purpose of supplying the location investigating group with all the information in connection with the available site or sites for a given area. This information assists them in forming an opinion as to the desirability of the site. Sometimes a sketch or plot of the street is supplied to clarify any particular points. In locations where a variance from the standard

store would be necessary, a sketch of the proposed store and parking lot, if any, is prepared to show the possible use of the available property.

4. Location Questionnaire. This form is self-explanatory. It simply provides a convenient way for the location investigating group to express its views, which are then consolidated for discussion and decision by the real estate committee.

5. Present Store Facts. The information presented to the location investigating group on this sheet is necessary to make a decision and recommendation in connection with the relocating of a store.

Location Investigation Group.

1. Composition and Function. This group consists of the general manager, the operating manager, superintendent of stores in the area and the district manager of the stores in the district, as well as the head of the real estate division.

2. Area Investigation. This group is sent the completed "Area Information" sheets and the questionnaire for their investigation and appraisal and report of the area. In the case of a relocation, the "Present Store Fact" sheet is included.

3. Site Investigation. When an area has been approved and a possible site or sites are available, this information is sent to the group with the questionnaire for their investigation and appraisal of the site.

4. Area and Site Investigation. In some cases, the site may be approved but a considerable time may have elapsed before a site is available. In this case, the area information would again be sent to the group, along with the information as to the available site. On the other hand,

there are times when the site may become available in an area which has not yet been investigated. In this case, also, the area information sheet, the site information sheet and, in the case of a relocation, the present store fact sheet will all be sent out at the same time.

An outline map, showing the trading area, is included and other information in certain cases, such as; a photostat of a customer survey showing where the customers come from.

Real Estate Committee.

1. Composition and function. This committee is composed of the general manager, operating manager, staff manager and the real estate division head.

This group meets weekly and reviews the questionnaires received from the location investigating group and decides, in the following order:

a. Area. Do we want a store in this area? How much business can we expect?

b. Site preference. Where are preferred sites or site? Is a parking lot necessary? What size of store is required?

c. Site available. If a specific site has been investigated: Is it acceptable, as to location, size of store and parking lot, if any?

d. Lease and term. If a specific offer has been made for an approved site, is it acceptable as to the size of the store and parking lot, if any? Is it acceptable as to term and rental?

The decision at each step, as listed above, determines the subsequent action by the real estate division or later presentation for decision on the following steps.

Steps taken in acquiring a location.

1. Send area information sheet and trading area outline map to location investigation group for individual and independent investigation, appraisal and report, using the questionnaire form which is supplied.

2. Consolidate the questionnaires received from the location investigation group and submit to the real estate committee at its regular weekly meeting. This group will decide whether or not to approve the area for a Jewel Food Store.

3. Upon approval by the real estate committee of the area, a request is made of the company real estate broker to check the sites preferred in the area which will give the size of the store desired and parking lot, if desired. The broker then advises the company on what sites are available where the rental and the term will be within the limits set.

4. Submit on the site information form the available sites in the approved area to the location investigation group for their independent and individual investigation and appraisal. The location questionnaire form is used for the purpose of reporting this information to the real estate division. A plot or sketch may be included, if necessary to clarify the site.

5. Consolidate location questionnaire reports and submit to the real estate committee for consideration, selection or rejection of location site available in the approved area.

If accepted as a location, the committee will then consider the term, and the rental offered and accept, reject or approve a counter offer.

In any case where the layout of the store or parking lot varies from

company standard, a store and parking layout will be made for the real estate committee's consideration in reaching a decision.

6. Advise the real estate broker of the decision and action wanted and follow up until the deal is either closed or they are sure that a decision is not possible.

7. Relocations. The same procedure in the case of a relocation is followed, and when supplying the location investigation group with information as to the area and the available site, they are also supplied with information as to the present store results, using the "Present Store Fact" sheet. There is, at present, a tentative decision to relocate certain stores which are too small and which cannot be enlarged or are not properly located. These stores are selected at a real estate review annually when all leases are reviewed.

An analysis of customer location is employed in a store relocation. This is done through a consumer survey on Friday and Saturday and/or a review of the check cashing cards. The customer's home is plotted on a map. From analyzing this map the relocation can be planned more accurately.

Extent to Which Consumers Use Store Directories[20]

A research service is studying the feasibility of using product directories in A Food Company stores. They have asked the company's own research department to find out, as background information:

1. How much trouble their own customers now have in locating products in their stores.

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20 Actual study made by a chain's research department, but reference to that chain and competition is not made specifically in compliance with a request by the submitting company.

2. To what extent directories are actually used in stores which have them.

During December and January the company made six hundred home interviews in the following areas:

Area 1 Vicinity of X store in town M. This store has both wall and cart directories

Area 2 Vicinity of Y market in town N. This store has a wall directory only.

Area 3 Vicinity of Z store in town C. This store has cart directories, only.

In each area they talked with one hundred women who shop regularly at A company, and another one hundred who shop regularly at the competitor's store.

Questionnaire used.

1. When you first started shopping at _____, did you have any trouble in finding where items you wanted were stocked, or was it easy to find things? (Broken down by A's customers and three competitors)

2. Have you had any trouble recently in locating things at_____? (Again broken down by A's customers and three competitors)

3. Do you remember what things you were not able to find at A store? (Broken down by items stocked and not stocked)

4. What do you usually do at_____when you cannot find something right away? (Broken down by A's, X, Y, and Z stores)

5. As far as you are concerned, are the section signs above the tables and shelves helpful or not helpful? (broken down by A's customers and three competitors)

6. What about the store directory on the shopping carts (or mounted on the wall)? As far as you are concerned, is this directory helpful or not helpful? (Broken down by customers of X, Y and X,Z)

7. Do you use this directory to help find something you want, or do you use it as a sort of shopping reminder list? (Asked of women who said cart directories were helpful)

Summary. This is the summary made of the information gathered by this study of the information after tabulation and interpretation by the department. In A's present stores, at least, there would seem to be little need of a store directory.

1. Only two percent of A's customers reported recent difficulty in finding things carried in the store.

2. Not even all of these would have been helped by a directory, because the items they could not locate were primarily specialties which would not be listed in a directory. Of the nine items mentioned, only five were shown on any of the competitors' directories examined and none was found on more than two.

3. The proportion of customers claiming that A's present section signs are helpful in finding things was larger than the proportion of competitors' customers who said that directories are helpful.

Even new customers apparently have no particular difficulty in finding things at A. The percentage who said they had trouble when they first shopped at A in their neighborhood was the same as the number who reported recent difficulty. Some of the former, of course, had previously shopped at other A stores and were already familiar with the general stocking plan.

There is more argument for store directories in large sized stores. Nearly one out of five customers of the three large competitors said they had difficulty finding things when they first shopped there, while only three percent have had trouble recently. Of those who said it was easy to find things at these stores even at first, roughly a third said the store directories helped them to get used to where things were located.

Interestingly enough, however, when customers (of both A and other stores) cannot immediately find something they want, their first tendency is to ask a clerk or simply to hunt around until they find it, rather than to refer to printed signs.

As to the relative advantages of wall and shopping cart directories, it would appear that the latter is more useful as far as shoppers are concerned. Only two percent referred to a wall directory against five percent who mentioned cart directories. Similarly, in answer to another question, 65 percent of the customers of stores using cart directories said they were "helpful". While in stores with wall directories, the figure was only 40 percent. (These latter percentages are not too important in themselves because there is a tendency to give an affirmative answer to a question of this type, but the relative size of the two figures is of interest.)

About one out of five women who shop in stores with cart directories say they sometimes use them as shopping reminder lists as well as aids in locating things.

See Yourself - Through the Eyes of a Housewife

This is an unusual study conducted by the Safeway Stores that helps to point out the varied types of problems in which marketing research can help to supply the answer.

This study, made by the Safeway research subsidiary, Oxford Business Surveys, is presented in the form of a report to Safeway employees on the vital subject of the housewife's eye-view of the courtesy customers receive in Safeway Stores. It is an attempt to picture for the employee, through examples, what impression a housewife gets from employee contact in the store.

To gather information for this study typical housewives were questioned in 177 Safeway Stores in four cities. In their shopping they came in contact with employees in all sections of the store. As they did this, they noted what happened and how it made them feel. They reported to the company what it was that made them think that an employee was courteous, impersonal, or discourteous. The purpose of the report was to help the personnel to perform their jobs more successfully. They were urged to apply what they learned from it in their dealings with customers in their own stores.

To get the whole picture, it was broken down into five sections:

1. Volunteering help to customers - the housewives reported what happened when they acted as though they needed help and were near an employee working in the grocery or produce section.

2. Handling customers' requests for help - In all stores visited, each housewife asked an employee to assist her in locating the brown rice. She observed how he answered her question.

3. Courtesy in the meat section - Each housewife made a purchase in the meat section. She also asked the meat cutter for cooking instructions on a roast that she pointed to in the meat case.

4. Courtesy at the check stand - The housewives felt that it was important that checkers recognize them as individual customers and display some friendliness toward them.

5. Answering questions on policy - The housewives asked a question about company policy in each store visited. Each housewife requested the telephone number of the store so that she could phone in her order and have her husband pick it up. This is against company policy and it was necessary for store employees to refuse the request.

In each case a classification into courteous, impersonal, and discourteous was made and a tabulation and relative comparison was presented to the employees, with examples of housewives' actual reports.

The American Stores Experiment

After the compulsory packaging in glass containers during the war and then the rapid reconversion to tin cans, the merchandisers were left with many questions on the use of glass in packing. What was its effect on sales? What about its impulse value? Did customers actually want the increased visibility?

To answer some of the questions the Owens-Illinois Glass Company combined with the American Stores of Philadelphia to test the salability of glass containers. They set out to answer the biggest question all, what would happen to total department sales? Would glass sales merely cut into tin sales?

Method. An experimental technique of research was used. They made every attempt to hold conditions constant so that a true relationship could be determined.

In every possible instance, identical brands were stocked in both glass and tin. Where this was not possible the handicap of the less popular brand was assigned to the glass pack. Specialty packs were passed up, in favor of volume items - peas, beans and beets.

Twelve stores were paired into six tests. Each pair consisted of stores as nearly identical as possible in respect to volume and type of trade. Special display treatments were ruled out. Merchandise was made available from shelf stock only. Price differentials between the glassed and canned items were figured realistically against actual comparative costs to American Stores.

Especially important was a check made on the movement of the same processed food items in brands and packages not under test. This would indicate whether the test result was actually an increase or decrease, or whether one marketing period was merely better than another.

For four weeks, one store in each of the six pairs offered the test items only in tin. The opposite store in each pair utilized the same amount of shelf space but allocated one-third to one-half that space to glass, with prices shown. To double-check whatever results were secured, a second phase of the test was established at the end of the four weeks. While the sales figures continued to be recorded for the six stores carrying both glass and tin, glass was added to the stores not previously stocking it.

Results.

Peas - 3 cent premium to same brand of merchandise.

Wax beans - 2 cent premium for a less popular brand than the tin pack.

Green beans - 2 cent premium on a less popular brand for the glass.

Sliced beets - 1 cent premium on the same brand.

Whole beets - 2 cent premium for the first four weeks, 3 cent in the second four. Same brand merchandise.

In every instance, glass added extra volume and resulted in substantial glass sales. Glass sales were: Peas - 32 percent, Wax beans - 35 percent, green beans - 38 percent, whole beets - 43 percent, and sliced beets - 51 percent.

The key fact of the experiment is that with the same, identical amount of space allocated to tin and glass, rather than to tin alone, the result is the sale of more merchandise.

Summary

After having viewed several examples of research used by various food chains it is easily seen that there are many techniques of marketing research. The problem is the adaptation of the type of research and method used to the circumstances. The survey-questionnaire method, the observational, the controlled-observational or experimental method have been represented. An example of the application of a combination of methods to a broad continuous problem, thus establishing a plan for scientifically solving a continuously arising problem has also been shown. Research techniques have been applied to the general and to the specific. Finally, the development and use of critical techniques has been made.

The food chains are doing a great deal in the way of research but there is still room for much improvement, and elimination of poor research.

Marketing research can do a great deal for the industry but it again must be pointed out that in all cases the applicability and true representation of actual day-in, day-out conditions must be considered in any

use of marketing research. This must be established without a doubt before one can proceed to any definite conclusions. This is a difficult thing to do, but if one does not make sure of the applicability, any failure to give the answer should not be blamed on marketing research itself, but rather on faulty application of the techniques.

CHAPTER VII

CONCLUSION

The purpose of this thesis has been to contribute to the general study of the food industry, through the study of the application of marketing research to the food chains as an essential tool of management. To achieve this purpose, various phases of the picture have been viewed in an attempt to get a clear analysis of the situation. The major points considered in obtaining the understanding have been: (1) The establishment of the need of marketing research. (2) Briefly developing a picture of how it can be used and briefly setting down the basic methods and techniques that can be used. (3) Establishing some general principles of evaluation as a yardstick of practical use by management. (4) Showing the extent of present usage in some of our larger chains. (5) Describing some of the existing aid which can supplement chain activities. (6) And, finally, using a case study of actual applications to solve business problems. Along the way, an attempt has been made to underline some of the major faults and pitfalls of marketing research which must be avoided to make research valuable in its prime purpose of developing facts to help answer managements' questions.

The conclusions must be drawn from an analysis of the major ideas presented, thus indicating the necessity of a brief review of these ideas and the conclusions drawn from them.

1. The need for marketing research is quite evident. Executives are not endowed with powers of crystal-balling the future. They must have facts to make decisions and marketing research is a basic tool for the

interpreting these facts. Marketing is a relatively new field and marketing research even newer. The economy has been a production economy for years, and only recently has the need of a market developed. Thus, the need for marketing research has been of a recent nature, so obviously the methods are far from completely developed. Management has developed in many cases a great deal of skepticism for various reasons which must not be overlooked. However, the need is still present and only marketing research can adequately fulfill it.

2. There are enumerable uses for marketing research from developing the market potential to the determination of selling price. In other words, it can help in almost every distribution problem. Its methods and techniques are varied. It is almost impossible to set down any rules for using a certain technique or method to solve a certain type of problem. Each method from survey to experimental has its merits and its disadvantages. Therefore, the technique must be developed for the most effecient way of obtaining the answer for each individual problem, not in a fitting of the problem into a method. In other words effective marketing research requires flexibility, ingenuity and above all, open-mindedness.

3. Management must be able to understand the methods used and realize their inadequacies. They must have a knowledge of the basic fundamentals of research and be able to decide whether the research being used is truly adequate to give them the answers or facts they need. Management must be able to define their problems and be able to pin point what they need to know before they attempt to make a research study to solve a specific problem. Of course, much research, of great value, is undertaken with no definite problem in mind, but merely to get a general picture. Management

must keep alert to the many changes occuring in the field of marketing research which are continuing to develop its potentials. This is basically an educational process for management which is essential in maintaining an enlightened management in this highly competitive grocery field.

Management must be able to evaluate research intelligently and determine its applicability and true representation of conditions before drawing definite conclusions. This management perogative must never be abdicated, but it must be earned. With every right goes an equally important responsibility.

4. It is impossible to develop the best way of handling marketing research as a general rule applicable and useable by all food chains. This is seen when a consideration is made of the various methods of handling research now used. They vary from complete decentralization to a complete centralization of all research problems under a subsidiary company. Each company knows its problems and has its own ideas on how best to solve them. In the future, through a trial and error method, a relationship between size and departmentalization may develop to obtain the most effective way of handling market research, but at present this cannot be determined. At present all that can be stated is that a great deal of research is being done, some of it good and some bad. There are almost as many points of view on techniques of handling research as there are companies.

5. One thing can be said, though, and that is no matter what the size of the company it still faces similar problems which must be solved. The smaller company is limited in the funds and personnel it can delegate to marketing research problems, but that does not remove the problem. They must rely more heavily on outside assistance of newspapers, research

agencies, government agencies and the many other sources available to them. There is a great deal of valuable information continually pouring into the chain's office, but it needs screening and cataloging, otherwise its value may never be known. This screening is the foundation of a research department and must be done by every chain. The need for caution is paramount in this job and essential to effective work. There is a great temptation for a twisting of statistical data in this type of material. This must be anticipated and used to avoid good-looking, but basically unsound interpretations or research. Again its applicability and true representation of conditions must be known before it is considered significant and useable.

Another observation that should be made is that much of the large agencies' work has, up to this time, been primarily for manufacturers and only useable by the largest chains (up to the top ten) because of its broadness. It may well be that this will change in the future as chains become more research-conscious and demand a great deal more research. They may possibly become some of the agencies' best customers. The agencies at present do not realize the potential in this field, but all indications seem to point to an imminent awakening.

6. Finally, the many applications of marketing research and the many techniques used have been shown in the final chapter. The chains have used in many cases a great deal of understanding and ingenuity in getting at the answer to their problems. As marketing research matures and methods are improved and developed, its use can be expected to increase in the chains with the resultant increase in efficiency necessary to maintain its position under the ever increasing competitive pressure they face from without and within.

The task is far from completed, but it does have a good start. Much valuable information is gathered which never reaches the proper channels to be of optimum value. In many consumer studies, this information should go to store managers and the district managers to really be effective in creating improvements. Marketing research has a job, too. It must prove its realiability to management. It must push out of its ivory tower and get down to the levels where it can really accomplish something. It has a selling job to do to everyone in the industry. The keynote of this selling must always be quality and accuracy.

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