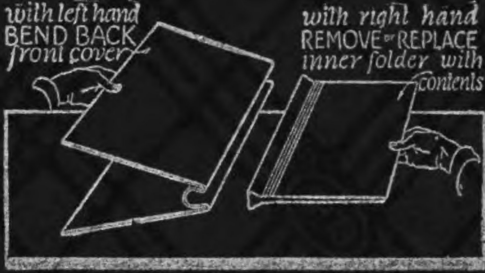






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TOWARD A FURTHER UNDERSTANDING
OF
DEPARTMENT STORES
SUPERMARKETS
VARIETY STORES
AND
LARGE DISCOUNT STORES

In Partial Fulfillment
of the Requirements for the Degree
Master of Business Administration

by

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INTRODUCTION

The sales representative of a consumer goods manufacturer should be aware that there are fundamental differences in selling to and through Department Stores, Supermarkets, Variety Stores, and Drug Stores. If these differences are recognized, and understood, it is possible to offer such retailers the kind of products, information, and service they expect, and to develop effective sales presentations.

Basically, the Supermarket is a food store; the Department Store carries a wide assortment of "shopping" goods and price lines; the Variety Store, as the name implies, sells a wide variety of lower price items; and the Drug Store is more closely associated with sales of prescriptions drugs and other medicines.¹ However, a fine line cannot be drawn as to exactly what commodities, or product lines, can be found in the merchandise assortments of each retail classification. A precise definition does not seem to be available which specifically differentiates such retailers based on the types of merchandise they offer the consumer.

Nevertheless many manufacturers of consumer goods are attempting to gain wider distribution of their products through all four types of retail outlets. If the manufacturer has made the decision to broaden distribution, and assuming such business is

¹The reader's attention is directed to the appendix for a more complete description of the four types of retail stores.

considered profitable, it then becomes the responsibility of the sales representative to present his products effectively to the retailer.

Actually the sales representative is more closely associated with retailing and retail merchandising than he is with the processes of manufacturing. Of course it is essential for him to be versed completely in how his products are made, what materials are used, the quality and value of the product to the consumer, types of advertising coverage, and methods of actual physical distribution of his products. The representative must have a sound knowledge of all these basic sales facts, and also be able to convey these facts to the retail organizations. However, the sales technique might be considerably more effective if it is designed to appeal to the traditions and customs of the retailers to whom he sells. This presents the problem of knowing enough about each type of retailer so an effective presentation can be developed. A statement made to one type of retailer may be perfectly all right, but the same statement made to one of the other types could be very offensive. Worse, it may show ignorance and cause loss of respect for the intelligence and judgment of the representative.

Therefore, in an attempt to avoid such a situation, the sales representative not only must know the language of business, but must also be able to speak effectively the individual retailer's business language. The word "profit" is universal, but the means of obtaining that profit vary considerably. To speak the business

language with sales appeal, the representative should be thoroughly versed in the way a specific retailer, or retail organization, conducts business. To a large extent such conduct seems to be influenced by traditions and customs that have developed through the years. By knowing such background information the representative should find he is more flexible when selling to a Department Store, a Supermarket, a Variety Store, a Drug Store, or a combination of any of those.

The assimilation of such information, so it would have a specific focus, would be an enormous task. No two buyers, stores, or organizations are likely to be identical. The problem is to attempt to identify the characteristics of the different types of retailer operations encountered...and perhaps offer a hint as to why the selling situation may be different.

This paper has been designed to examine briefly Department Stores, Supermarkets, Variety Stores, and Drug Stores in order to give the reader a condensed overall, but limited, view of such retail backgrounds and operations. For those fortunate enough to have had substantial marketing courses, or for those with experience in marketing, the contents of this paper may be of little value. For others not so fortunate this information may serve to make the sales task more rewarding and satisfying.

Bear in mind that the content mix in this paper is extremely broad in scope and has not been designed to limit discussion on any one point. Any of the areas covered can be abstracted for

considerable study and research. It is hoped, however, that this broad view of the four types of retail operations, or stores, will suggest ways to tailor a sales presentation under varying situations and conditions. If nothing more, it may suggest an obscure point that could serve as a building block based on the situation and variables encountered.

CHAPTER I

THE DEPARTMENT STORE

There is a long and interesting history of retailing that developed in Europe before the advent of department store retailing in this country. Such a history dates back before the time of Marco Polo in the 13th century; can be traced up through the large and powerful guilds of Europe, and then to the United States early in the 19th century.

Many call the Bon Marche in Paris the first actual department store—it was established in 1838. In this country such department stores as Lord and Taylor was founded in New York in 1826, E. H. Macy Company founded in 1858, and John Wanamaker in Philadelphia founded in 1891.² These, of course, are only a few of the well-known names in department store retailing that have evolved through the years as great retailing institutions. They serve to point out that, unlike supermarkets and the large drug stores, the department store is steeped in tradition and is a part of the historical past of both this country and Europe.

Early Philosophy and Development

It is interesting to note that when department store retailing first began in this country its philosophy was based on

²H. Pasdermadjian, "The Department Store," (Newman Books, London, 1954) p. 5.

mass retailing at low prices. Operating figures during the 1800-1880 period were approximately as follows: gross margin 20%, expenses 15%, and net profit 5%.³ Today the average gross margin is 37% with an expense ratio of 33%.⁴ Most of the items sold in department stores in the early days were stable goods, but with the increase in the variety of merchandise assortments, increase in services offered customers, and competition, their expense ratios have steadily increased. In this respect, the trend of supermarkets to the sale of non-foods has a striking similarity, not only in their inception based on low prices, but the steady rise in the expense ratio as they have developed larger and more beautiful stores, added services, and entered into non-food retailing.

With the development of department stores came the introduction of the "one price system" where the goods were marked and put on open display for customers to inspect at their leisure. As noted, under definitions in the appendix, this method of self-selection is somewhat different than self-service. (We will examine self-service in the chapter on Variety Stores.) Advertising featuring low prices became general practice as did the services of returning merchandise, telephone ordering, and many others.

³*Ibid.*, p. 18.

⁴These are averages. Such percentage figures will vary depending upon the size of store's volume and the size of the city in which the store is located.

Department stores were the retailing giants of their day. Even though the Great Atlantic and Pacific Tea Company was first established in Cleveland in 1858, and today represents over five billion dollars in annual volume, there were no significant food chains during the department store's early expansion period. However, in the early 1930's the great depression ushered in the low price chain store operations. By 1937, "the department store was considered as a great achievement and the latest and most up-to-date form of retailing. Within a short decade, however, its development had been overshadowed by the tremendous growth of the chain store organizations which have swept the country".⁵ By 1954 department store retail sales represented an annual volume in excess of ten and a half billion dollars through some 2,700 stores.⁶

Historically the department store has had a long and respected career in retailing, and, although they are still major factors, many new forms of retailing have developed within the last twenty to thirty years. Preminent among these are chain organizations of Supermarkets, Drug and Variety stores, and more recently the Discount House.

⁵Frank M. Mayfield, "The Department Store Story", (Fairchild's Publications, Inc., New York 5, N.Y.) 1949, p. 34.

⁶U. S. Census of Business, Volume II, "Retail Trade and General Statistics", (1954).

Buying Functions

There are approximately one hundred and fifty separate departments, each operated as a distinct unit, in the average large-size department store. The person responsible for the management of the departments is the Buyer, with the Merchandise Manager heading up several departments.

The function of the merchandise manager is to formulate plans to get customers to buy, and to see that such plans are properly executed to make a profit. He decides what lines of merchandise are to be stocked and if such merchandise will be sold on a temporary promotional basis or as a permanent line. The department buyers and sales promotion people make suggestions, but the merchandise manager is the decision-maker.

According to Mr. E. B. Weiss, the responsibilities of the merchandise manager and the buyers are as follows:⁷ The merchandise manager concerns himself with markups, markdowns, turnover, inventory, expenses, price lines, net profits, and plans for promotional events. He will be interested in how a product sells, and how a product will fit in with his selling plans. He will want specific information and case histories of what other leading department stores have done with a product or line of products.

⁷E. B. Weiss, "How To Sell To and Through Department Stores", McGraw Hill Book Publishing Company, Inc., (New York 1936).

The buyer is subordinate to the merchandise manager. His function is to show a satisfactory volume and profit for his department. He interviews the sales representative; makes frequent buying trips to markets throughout the United States and foreign countries; cooperates with other store divisions on promotional plans; and is in constant touch with the merchandise manager, advertising department, and so on. In short, the buyer is the boss of all activities within his department.

According to Mr. Weiss few manufacturers' representatives attempt to make any personal contact with the sales promotion manager, and those who contact him intelligently are even more of a rarity. Most store promotions are usually not held in conjunction with cut-price sales but concentrate more on promotions selling an idea, a name, or an event, at regular price. Such promotions are usually coordinated in meetings held by the merchandise manager, the buyer, and the sales promotion manager.

Promotional Events

Timing of promotions is all important to the department store, therefore, the representative should know the store's promotional schedule. For promotional purposes the store will use many of the following media:⁴ newspapers; direct mail; radio and television;

⁴ibid.

window display; in-store display; handbills, bill inserts and package inserts; car cards and outdoor panels; track panel signs; telephone solicitation; catalogue and other phases of mail-order promotion; tags and badges for employees; special announcements for public address systems; special section for featured items; and interlocking displays in allied departments. There is a wide latitude in developing material for use by such stores, but, as Mr. Weiss states, "pretty pictures and good copy are not enough, something dramatic is needed to arouse the store's interest".⁹

The buyer is responsible for displays in his department, but it is possible to arrange, through the display manager, for interior displays in other departments. However, interior displays may be delegated to assistant buyers or even to salespeople. This points out the need for contacting many more people than just the department buyer. Such contacts and associations should be kept current.

Actually there are very few large scale "store-wide" promotions because there are so many details to plan and coordinate between the various departments. Few items qualify for such sales, but shirts, soaps, and hosiery are suggested as items frequently receiving such promotional activity. Essential qualifications for a store-wide

⁹ibid.

sale are as follows:¹⁰

1. A volume item that will appeal to the large majority of customers.
2. An item that is easily sold—one that does not require technical, complicated, or elaborate sales explanation.
3. An item that is profitable for the store to sell on the basis of one at a time, or which can logically be grouped in a larger sales unit than itself.
4. An item that permits a satisfactory markup.
5. An item sufficiently staple so that the store will have no difficulty in disposing of the promotional remainder without having to take profit-destroying markdowns. (Markdowns will account for from five to seven per cent of sales.)¹¹
6. An item which inherently possesses, or which in some way is given, a feature that is susceptible to a dramatic promotion.
7. An item that will not be subject to high returns.

Product Presentation

The department store buyer is not likely to say, "Go out and create some consumer demand and I'll talk business with you." If he does say this he may actually mean, "We have consumer demand, consumer acceptance, and consumer interest. Our name is established and respected. The sole question is whether it will pay us to switch a part of the consumer demand to your line; whether we can get enough

¹⁰ibid.

¹¹Hayfield, op. cit., p. 101.

additional business to make our effort worthwhile."¹² Therefore, the representative must convincingly prove:

1. His product will show a profit.
2. It can be priced to cover the overhead of the department.
3. What the markdown experiences of the line have been, if any.
4. Turnover experience--based on sales.
5. How well the brand is known.
6. It will add to volume, or, if it just switches sales, that the switch will be more profitable.

For example, when an item is priced, the average departmental markup is approximately thirty-seven per cent. Product markdowns often run as high as seven per cent of sales, and return of merchandise may also equal seven per cent of sales. Markdowns and returns are not considered as expenses. This risk is included in the thirty-seven per cent markup.¹³ This is a significant point in selling a product to department stores that, for competitive purposes, is priced below the average markup of thirty-seven per cent. If such a product had no markdowns or returns at thirty-seven per cent it is actually carrying other items that do have high returns and/or markdowns. Consideration should also be given to a product's turnover ratio as compared to the average annual turnover of four to five times in a department store.

¹²Weiss, op. cit., p. 31.

¹³Paddenmaljian, op. cit., p. 77.

No one can advise a sales representative what to say in every sales presentation. Each situation is different. However, the following objections were noted against private store brands. These are actual department store experiences and ones the representative should consider as a weakness in the controversial subject of private brands versus national brands.¹⁴

1. Store brands frequently have sluggish turnover unless they are strongly and continuously promoted by the store.
2. They often demand and get a much higher percentage of both buying and promotional budgets than the volume they produce actually warrants. As a consequence they are apt to take away too much of the buying and promotional dollar from where it belongs—behind the lines that produce both the volume and the profit.
3. They do, in many instances, provide a higher initial markup but their record of maintained markup frequently is not so good as that of the national brand— and maintained markup determines profit.
4. In many instances the store's own brand is introduced as a price wedge. The result is that an even smaller initial markup is taken on it than on national brands, so that the argument about poor markups on branded lines frequently does not hold water. Of course, it is also true that often the store brand carries a margin which permits occasional severe price cutting without destroying profits.
5. There is a constant temptation to use the store brand as a price football. That temptation is frequently indulged. The result is likely to be a trading down trend that further destroys profits.

¹⁴Weiss, op. cit., p. 66.

6. The store's own brand may be introduced to the accompaniment of much enthusiasm among the store people. But that enthusiasm frequently wears off. The buyers soon take less interest in store brands than they do in buying and selling regular line goods, particularly where they have little or no choice in the selection of the store brand.
7. It slows up selling on the floor inasmuch as more explanation is required to move a store brand than a nationally-known brand.

Inventory

Through the years the department store buyer has prided himself in knowing his customers and the type of merchandise that appeals to such customers. The identification of department store merchandising has developed on a term called "price-fixing". In essence this means the store determines what type of customers they will; what segment of the market they want to concentrate on as far as price is concerned; and then they buy to meet a specific price, or price range. The price range found in the department refers to a group of price-lines. These terms are important because they are typical of department store buying, and their definition should be understood.

Inventory is considered in terms of planned stocks, model stocks, and basic stocks. Their significance is as follows:

Planned Stocks - refer to the total in dollars, at retail, which the department store expects to carry over a stated period, in accordance with carefully worked-up sales plans.

Model Stocks - are the planned stocks that have been broken down into a balanced assortment of colors, sizes, etc.

Basic Stocks - refer to the balanced assortment of staple items sold in the department. As high as eighty-five per cent of stocks in some stores are controlled by basic stocks.

In summary we can say that the mechanics of department store buying and selling start when the buyer writes and approves the order. The sales representative must then see that the merchandise is routed to the store's receiving department where it is price marked and sent to the selling floor or stock rooms. Other post purchase are selling, packing, delivering, unloading, stock records, and so on.

In this chapter the stress has been on the individual buyer, the buying functions, and promotional activities in the department store. Many of these points would be true whether the representative is selling to the department store, the department store, or the drug store. However, such points should be blended with the flavor of the department store, based on the way it has traditionally conducted its business.

Remember that the department buyer is the key man (or woman), but the merchandise manager has the final decision on promotions. When making a sales presentation to either of these individuals be completely prepared to answer questions—on their terms.

In Chapter II the emphasis will be placed on the buyer as well as the "Buying Committee" which is more closely associated with supermarket organizations.

CHAPTER II

THE SUPERMARKET

Since their inception on the retailing scene in the 1930's, the supermarkets have been taking an increasing share of the consumers' food dollar. In 1960 the consumers' food store purchases amounted to an all time high of \$4.5 billions of dollars, and almost sixty-nine per cent of this volume was accounted for by the supermarket. There were a total of 200,000 food stores in the industry of which 41,100 were classified as supermarkets.¹

The Buyer and New Products

The introduction of new products by manufacturers for sale in supermarkets has been developing at a tremendous rate—over 1,000 new items each year.² The modern grocery buyer must be a man of many talents to keep up with this pace. The buyer concerns himself with keeping his inventories balanced, screening new products and promotions, evaluating deals, and coordinating all of these activities with the other departments concerned.

For example, the Super Value Store conducted by Progressive Grocery magazine brings the new product story, at the buyer's level,

¹Robert W. Moller, "Trends in Grocery Distribution," Progressive Grocer, Vol. 40 (April 1961) p. 34.

²"Buy It or Ship It?" Circulation News (October 1967) 70.

into sharp focus.³

<u>New Products</u>	<u>No. Offered</u>	<u>No. Accepted</u>
Number offered to Super Value	1,112	96
Number accepted	288	251

During the twelve-week study, it can be seen that Super Value buyers made decisions on 1,112 new products. Project this on a yearly basis and the buyers would decide on over five thousand items. This is almost the entire stock of the average supermarket. It is clear that Super Value did not accept all the new products offered during the twelve weeks, but it did accept two hundred and eighty-eight new items. Project this number in terms of a year and Super Value added approximately twelve hundred and fifty new items. At this rate the warehouse and stores would be bulging within a few months unless marginal products were dropped along the way. Actually Super Value discontinued five items for every eight that were added. From this it is obvious that inventories have to be flexible to keep within the capacity of warehouse and store space, and it can clearly be seen by the comparison that the composition of products in inventory is constantly changing. Keeping up with the constant change is the buyer's responsibility.

³"Super Value Study," International Buyer (February 25, 1957 to May 15, 1957) 2-3.

⁴ibid., p. 2-25.

Even with the advent and development of "committee buying" the buyer is still the key man. The buyer continues to concern himself with routine ordering, stock turnover, elimination of out-of-stock conditions, as well as initially screening new products and promotions. The "buying committee" seems to have evolved to concentrate the decision-making function in the buying process.

Buying Committee Composition

As a rule, a typical "buying committee" will include one or more buyers, a merchandising manager, advertising manager, sales manager, and possibly a general manager. However, it is possible that the committee to have buyers plus one or more of the following personnel:²

Merchandising Manager	Sales Promotion Manager
Advertising Manager	District or Area Manager
Sales Manager	Government Relations
General Operating Manager	Home Department
Director of Merchandising	Trade Manager
Branch or Division Manager	

(These are not listed in any order of preference and the possibility of one or more being designated from one organization to another. It is quite possible in smaller organizations for one man to wear several of the above hats.)

For a review of "Buying Committees" see Journal of the N. C. State Association of Merchants, Volume 19, No. 1, 1957, President of the N. C. State Chapter of Merchants, James P. ...

²"Inside the Buying Committee," Journal of the N. C. State Association of Merchants (February 1957) p. 47.

that four of the twelve committee meetings he attended had a woman buyer as a member.⁹ Although these women did not attempt to act as self-appointed spokeswomen for their sex, Mr. Light felt that the presence of a woman greatly benefited the committee. This is even more interesting when it is considered that six of the twelve committees visited by Mr. Light were among the country's leading woolen goods plants. Three were from the top ten, and two were among the top five. Of the committees, the largest had one hundred members and the smallest had three members. The average size was seven.

The importance of the committee procedure cannot be over-stated in terms of its control over the distribution of products to supermarkets. "No products, or quantities, are given permission to at least eighty-eight per cent of the nation's supermarkets without the express consent of the buying committee."¹⁰

The Importance of the Buying Committee

Basically the buying procedure is fully similar to that of an individual buyer, but exactly the same as the procedure used by an individual buyer. The main difference is that it is the buyer who presents the facts to the committee rather than the representative of the manufacturer. When the product is presented to the committee,

⁹W. S. Light, "Buying Committees," A mimeographed pamphlet (November 18, 1937) p. 3.

¹⁰"Inside the Buying Committee," op. cit., 11.

it observes and compares the main factors of a new product.⁸ If there is any doubt about the consumer acceptance of a product, the committee may recommend a store test to let the product prove itself. Samples of the product are usually provided the committee so it can personally examine the physical qualities of the product.

Jewel Tea Company makes a chart (see Appendix) available to customers so they will know just what Jewel's buying committee is looking for when making a buying decision.⁹

When a committee is considering a new product, it may cover in detail one, several, or all of the following considerations:¹⁰

1. Rate of turnover.
2. Margin of profit.
3. Consumer advertising program timed with the introduction of the new product.
4. Guarantees against price declines.
5. Ready consumer identification.
6. Co-op merchandising allowances.
7. Units per shipping carton.
8. Package design--size, shape, weight.
9. Alternative possibilities.
10. Cash-off or other price.
11. Covering, premiums, customer contacts.
12. In-store demonstrations of product.
13. Freights transportation charges.
14. "Free" (bonus) goods offer.
15. Knowledge possibilities.
16. Point of purchase display material.
17. Prompt delivery of opening order and reorders.
18. Price marking spot.

⁸"New Products," Food Retailer, Vol. 14 (December 1919) 7.

⁹Ibid., p. 12.

¹⁰Ibid., p. 8.

19. Quick and easy handling of product to shelf.
20. Special allowances or discounts for a carton or pool car quantities.
21. Multiple quantity offers 2-for or 3-for.
22. Customer rebates or refunds.
23. Drop shipments to individual stores.
24. Cutserts or inserts with packages.
25. Retailer prices, retailer awards, or contests.

A "New Product Form" is usually required by the committee to accompany each new product under consideration. (The reader's attention is invited to the sample "New Product Form" in the appendix.)¹ Such forms outline the answers the committee is interested in; however, it is often advisable to attach a supplemental sheet of facts which the product form may have omitted.

Actually only about forty per cent of the more than five-thousand products a committee might conceivably review during the year can be considered as truly new products. The other sixty per cent are:

1. Established products never carried by the organization.
2. Established products, once carried, but discontinued and now being reconsidered.
3. Established products offering a special promotion or sale.
4. Established products in a new size.
5. Established products in a new container or size.
6. Established products in a new color or form.

There is no question that the buying committee has caused the selling function to become more important. However, if any in

¹ ibid., p. 14.

Washington, D. C., is being done, to eliminate the problem.¹² Safeway's Safeway has more tape recorders available for representatives to use in their product presentations. Representatives are allowed to make a tape talk up to two minutes on their items. The tape is then played back at the committee meeting. According to the report, the move to tape recording by Safeway has led to improving relations with suppliers and to receiving better presentations at their committee meetings. The article also stated that Safeway's buying committee had been operating similar to committees in other organizations. "Buyers used their presentations as the basis for interviews who at the end of the week made presentations of all, or most, of the new products to the Committee."¹³

Safeway Division manager, James A. Anderson, made the following significant statement, "I believe the move of a major (Safeway) buyer to meet suppliers' representatives that is (the buyer) cannot remember all the details of the new products. This can result in Safeway missing out on a good product." It is obvious from Mr. Anderson's statement that he has not wanted to "take out" any good profitable products or promotions because the committee does not have such wisdom in consideration.

¹²"Safeway to Tape Buyers' Pitch," Supermarket News (October 7, 1966).

¹³ibid.

¹⁴ibid.

even though buying committees will vary in size from one organization to another, their functions and objectives are much the same. They are interested in reviewing all products and functions that conceivably can make a profit for their organizations.

For representatives who have to live with the buying committees, the course is clear. The people who compose buying committees are executives, and to influence them it is necessary to speak their language. Representatives of product manufacturers should be better trained and use this training to resort more efficient and effective sales methods and techniques. The representative must know the basic principles and problems of the firm where operation, cost accounting, space allocations, profiles, variable buying techniques, ordering procedures, warehousing, traffic problems, and so on.

Consideration of the Representative's Responsibilities

The representative's job is a critical one. It is an after he has sold the product or a competitor. He must be able to take his story to the supervisors and the other buyers. His story must be just as factual and convincing at this level as it was at the department level. The emphasis should be placed on how the store operating personnel can most effectively sell the product to make a profit.

It has long been recognized that executives will be more inclined to part with their hard earned dollars if: (1) the products satisfy their needs and wants, (2) the customer is given a good reason

to buy, and (3) the buying process is made as easy as possible for them. Millions of dollars have been invested in supermarkets for the purpose of making customers feel more comfortable and relaxed during their shopping experience. Great improvements and innovations have been made in the important areas of advertising, parking facilities, beautiful store decor, efficient lighting, and in many other less tangible areas. Such improvements can be directly related to the very essential job of getting customers into a given store, and to create a favorable store personality and image. Managers are usually proud of this image of their store.

It is unfortunate but apparently true that, even with all the modern refinements and technological advances, the great objective often breaks down at the critical last three feet between the display cart and the merchandise. Many times a consumer's buying decision is negative simply because the products are temporarily or inadequately displayed. There is little question that displays make a substantial increase in the movement of merchandise. It is well to note that special displays account for about eight per cent of the total sales in a supermarket grocery department with the remaining ninety-two per cent coming from shelf display sales.¹⁵ Neither of these percentages

¹⁵"The Million Study," Advertising Executive, Vol. 59, No. 6 (1960) p. 3-31.

can be taken lightly since both contribute substantially to the overall dollar volume, and both generate the dollars necessary to operate at a profit. The representative must be prepared to show how his products will add to these profits.

Displays and merchandise layout act as a variable in selling ideas. In many respects the creative selling of ideas has improved in recent years, but the advent of supermarket self-service has greatly increased the opportunity for selling within the store. Displays have to do more than just make merchandise available—they can have to be witnesses in the highest sense of the word. The representative should be able to make constructive suggestions in this all-important area of merchandising.

Each time a store representative suggests a new display or a display he should consider the following points:

- 1. Will it attract attention?
- 2. Will it make an impact?
- 3. Will it create interest?
- 4. Will it induce the customer to buy?

A positive answer to each question will help the retailer to sell more merchandise and, incidentally, help the representative to get more merchandising help on the part of the store manager.

11. The text, Principles of Retail Merchandising, by J. H. ... in Principles of Retail Merchandising. (New York: ... for the ... of ... , National State Advertising Dept.) p. 111.

When a product is placed on a shelf, or on a special display, the objective is to make it conspicuous and give it good exposure. The selling job will be influenced by the way the product is presented to the customer. If the product has been presented in such a way as to cause acceptance by the customer, the result will be the sale that will culminate when the customer exchanges money for the product at the check-out counter. The whole objective is clear and it is obvious that displays should be influenced by these factors.

How to make a display

In 1962 the average supermarket distribution was approximately 40,000 square feet, with Super Market Inc. leading in the listing of products. Figures:¹⁷

- New store openings weekly: 100-150
- Average store per square foot of product area: 1.0
- Average store per square foot: 1.0
- Average store per square foot: 1.0
- Percentage of new store openings: 10%

(171 million square feet of floor space in 1962, valued at 100 million dollars per year).

¹⁷Carl Pomplun, "Supermarket Facts and Figures: A Comprehensive Report to 1960," Executive Digest, vol. 43 (April 1961), pp. 10-11.

In 1959 the average gross profit realized on a sale was 14.26 per cent with a total operating expense of 11.27 per cent. Both of these figures are substantially less than are found in a department, drug, or variety store. Collectively, it can be seen that supermarkets have a decided edge over the other types of retailers.

For every one hundred dollars the consumer spends in a supermarket, the following departments receive the average gross profit listed:

Meat	21.93	General Merch.	11.10
Bakery	11.10	Produce Dept.	11.10
Produce	11.10	Hardware	11.10

The above may be of interest to the general public by virtue of its positive effect on the price of the food, or the more exact figures listed in Figure 4. The type of information necessary can be helpful in any type of investigation.

In summary, the writer recommends that the retailer who does present himself as a leader, but who does not take the time to study his competitors. It is only by every member of a chain distribution that they contact. The store and volume and of the operating costs are equally important, and should be given the same attention as the price of information as they give the consumer.

¹⁴Waller, op. cit., p. 3.

CHAPTER III

UNITED STATES

Consideration has been given to the functions of buying and promotion in department stores; and the buying committee and in-store merchandising in supermarkets. These considerations will be similar in selling to variety or drug stores.

Since self-service is an important consideration in supermarkets, variety, and drug stores, this chapter will review the developments of self-service in retailing more fully. It will suggest to the sales representative the problems involved in selling a product to this type of purchaser.

History of Self-Service

Writing stores have been called self-servicing stores since Frank C. Rowlett was the first variety store in 1858.¹ Rowlett's idea was to "have all the goods in a package so the customer could see and handle everything...the people were not accustomed to being invited to handle the goods for themselves. They came, they saw, they handled, and they bought—usually more than they intended purchasing when they entered the store."²

¹"Self-Service in Variety Stores," Harvard Business School, Division of Research, L. L. Robinson and J. G. Day, Bulletin 111, July 1922, p. 1-2.

²Ibid., p. 2.

However, it wasn't until the 1950's that such thought was given by the variety store industry as concerns self-service with checkouts. In 1953 the F. W. Woolworth Company, with 19 0 stores in excess of one billion dollars, started the most advanced variety self-service by opening a self-service store with check-out on both coasts in New York City.³ Since then the trend has definitely been increasing toward this type of store layout.

The following report shows this even better:

Number of self-service stores operated by the Five Largest Variety Stores in the United States, 1950-1957.

Store	Year					Total Stores operated in 1957
	1950	1951	1952	1953	1954	
F. W. Woolworth	1	1	1	1	1	5
A. J. Healey	1	1	1	1	1	5
A. C. Smith	1	1	1	1	1	5
A. S. Sear	1	1	1	1	1	5
A. J. Healey	1	1	1	1	1	5
A. S. Sear	1	1	1	1	1	5
McCrary Stores	1	1	1	1	1	5
A. S. Sear	1	1	1	1	1	5
Healey Bros.	1	1	1	1	1	5
Healey Bros.	1	1	1	1	1	5
TOTAL	14	14	14	14	14	70

* - not available

3 ibid., p. 6

4 ibid., p. 6

Attitudes and Reactions to Self-Service

It has been with some hesitation, however, that many of our more experienced users of many of our self-service facilities have been asked to check out. These reactions to this type of layout may have their arguments largely as follows:

- 1. Self-service is a slow way of doing things and it is a waste of time.
- 2. Self-service is a very noisy way of doing things and it is a waste of time.
- 3. Customers will not want to use self-service facilities because they will not be able to get the help which they need when they are in trouble.
- 4. Self-service is a slow way of doing things and it is a waste of time.
- 5. Self-service is a slow way of doing things and it is a waste of time.
- 6. Self-service is a slow way of doing things and it is a waste of time.
- 7. Self-service is a slow way of doing things and it is a waste of time.
- 8. Self-service is a slow way of doing things and it is a waste of time.

On the other hand, there are many who are self-service facilities and their

and the following conclusions:

- 1. Self-service facilities are a slow way of doing things.
- 2. Self-service facilities are a slow way of doing things.
- 3. Self-service facilities are a slow way of doing things.
- 4. Self-service facilities are a slow way of doing things.

Self-Service, (1957)

Self-Service, (1957)

5. Each article will have to be price marked and the expense of such marking will be heavy.
6. Merchandise arrangement will have to be revamped.
7. Reordering will be difficult because individual sales-people will no longer be working in individual departments with whose stock requirements they are thoroughly familiar.
8. Order by departments or merchandise lines will be virtually impossible to record.

The Harvard study indicated that open sales facilities were not enjoyed by all stores in the areas mentioned, but self-service has increased volume. Where merchandise lines were heavily increased while those where customers usually depended on a service showed less increase. Willerose apparently had an increase of efficiency, and as one reporter put it, "merchandise sold was right to slightly more, but money shrinkage is less."⁷ This is true since the fraction of loading time is no longer subjected to many merchandise but concentrated to the check-out, thereby facilitating merchandise control. The most outstanding operating gains, however, with self-service have been the significant reductions in the non-commercial payroll expenses.

Selectives of the Retail Store for Self-Service

In a self-service store the objective is to give service to the customer who indicates a desire for such service, but, otherwise, just let the customer browse. Self-service still requires good service; therefore selected training must be a continuous job.

⁷"Survey of Retail Store Operations," prepared by the Market Research Dept., National Cash Register Co., Feb. 1951, p. 41.

Thus, of course, a major difference exists in the area of personal selling which still exists in department, drug, and variety stores, but of less significance in supermarkets since there are no salespeople on the selling floor.

Operations with Self-Service

The primary job of the salesgirl is to direct customers and offer service when needed. Before self-service salesclerks spent much of their time handling money, wrapping packages, making out tickets, and so on, but with the introduction of self-service their main concern is selling as well as keeping the shelves stocked and the merchandise neatly arranged. This suggests that, since women do much of the shelf stocking in variety, drug, and department stores, cases of merchandise of excessive weight may present real problems. Such cases might stay in the stock room because the salesgirls are either unable or unwilling to move the heavy case to get the merchandise needed to restock the shelf. To justify their actions, facings might be cut down to reduce sales of the product which ultimately might cause the product to be discontinued. On the other hand, a representative should recognize that personal selling by salespeople is still very much in evidence in department stores and self-service variety and drug stores. The salesclerk has the ability to influence the customer in the selling situation. It would be to the representative's advantage to contact the clerk responsible for selling his products, and make sure all of the sales points of the product are understood by the salesclerk.

Merchandise Departments

As in the case of all self-service operations, the display of merchandise is extremely important. This includes the type of fixtures which are used, the layout of the department, merchandise arrangement, price signs, and so on. With variety store self-service has come the elimination of the "clerk-aisles" and the fixtures are now placed back to back, or on a table type of display unit. This has the advantage of allowing greater height to the display fixtures which was not possible when the salesclerk had to talk to a customer over a counter. The ACR report estimates that an average of forty per cent more selling space can be realized through the self-service layout arrangement.³

Typically the major departments are arranged as follows, but may also be further subdivided:

- | | | |
|-----------------|---------------------|----------------------|
| 1. toys | 6. electrical | 11. notions |
| 2. candy | 7. hardware | 12. novelties |
| 3. toilet goods | 8. housewares | 13. piece goods |
| 4. stationery | 9. linens | 14. infant wear |
| 5. glassware | 10. children's toys | 15. linens |
| | | 16. more accessories |

³Harvard Report, op. cit., p. 10

Many of these departmental product classifications can now be found in supermarkets, drug stores, department stores, hardware stores, discount houses, etc.

Since 1949 variety stores have been steadily increasing the price lines in their inventory. This was especially apparent during the war years when many items usually sold by variety stores could not be found, so they began to stock more soft-goods and home furnishings. This expansion of product width and depth is still prevalent.

Display Fixtures:

One of the major problems in converting to self-service has been the development of fixtures that will stimulate impulse sales, permit effective display of the merchandise, reduce shelf stocking expense, provide room for new products, be flexible, and so on.

So called "standard" equipment has been developed for variety stores; however, there seems to be much controversy over what is actually a "standard". Therefore, there is still much experimentation being conducted by fixture companies and store managers.

The Harvard Report indicates this with the following statement:

"Executives of variety stores and fixture manufacturers alike declare a tendency which they have observed for fixtures and merchandise arrangements to be designed according to preconceptions of management rather than on the basis of field testing. As an officer of one fixture manufacturing firm puts it, 'In too many instances fixture selection for converted stores has depended on pet theories held by the responsible executives of the variety companies rather than on careful research as to

what is best in view of customer reactions. Also some companies have been so reluctant to undertake careful analysis that they have merely ordered duplicates of fixtures used in check-out stores by another firm, with no knowledge of whether the fixtures were selected intelligently in the first place.⁹

This certainly suggests that a representative would do well to consider such store fixtures for his products, and be prepared to offer suggestions and advise on the proper fixtures for the displaying of his merchandise. An ambitious program, with a fast selling item, could well be aborted because of this problem. The ultimate blame might be placed on the product rather than the fixture's inability to display the item properly.

The conclusions observed in the Harvard and National Cash Register Company reports indicate the following results:

- 1. Self-service stores showed a greater improvement over conventional stores in total dollar sales volume.
- 2. Some merchandise lines showed a sales increase while other lines had decreases. (This varied among the stores studied.)
- 3. There was no apparent disadvantage in stock shrinkage in self-service stores.
- 4. There was no important change either way in the rate of stock turnover. (A very significant point.)
- 5. Self-service showed a decrease in total store expense rate.
- 6. There was a definite improvement of earnings--the increase in average dollar earnings was impressive.

Margins, Expenses, and Profits

The following chart (attached)¹⁰ compares the trends of

⁹Harvard report, op. cit., p. 33

¹⁰ibid., pp. 44-49.

Comparison of the trends in margins, expenses, advertising payments, and stockturns for nine national chains and eleven regional chains.

	1947	1948	1949	1950	1951	1952
Gross Margin						
National	36.25%	36.33%	36.29%	37.33%	37.00%	37.74%
Regional	35.32%	35.94%	35.65%	37.26%	37.91%	38.09%
Payroll						
National	15.01%	15.16%	15.17%	15.56%	15.55%	15.76%
Regional	15.44%	15.4%	15.01%	15.63%	15.44%	15.83%
Advertising						
National	0.40%	0.37%	0.34%	0.32%	0.40%	0.46%
Regional	0.14%	0.17%	0.15%	0.16%	0.19%	0.34%
Total Expenses						
National	15.41%	15.53%	15.51%	15.88%	15.95%	16.22%
Regional	15.56%	15.57%	15.16%	15.79%	16.10%	16.17%
Stockturns						
National	3.77	3.7	3.6	3.6	3.6	3.58
Regional	3.40	3.4	3.3	3.3	3.3	3.09

margins, expenses, (advertising and payroll shown separately) and profits in nine National Variety Chains and eleven Regional Variety Chains. The figures shown are expressed as a percentage of sales.

It is obvious from this comparison that payroll expenses have been increasing steadily, as have total expenses and gross margins. Yet the turnover figures have been decreasing. This suggests that the merchandise lines found in variety stores lend themselves to strong price competition from such retailers as supermarkets who operate on an expense ratio of about sixteen--eighteen per cent versus the variety stores' total expense figure of thirty-three per cent. Prices on variety store merchandise lines can be lowered considerably and still show a handsome profit to the food store operator--this is a real ripe plum, and the increase of non-food items in supermarkets, since these 1954 figures, testifies to the supermarket industry's recognition of this fact.

Therefore, the variety store has about the same stock turn ratio and gross margin as a department store. In this respect it is far below the stock turn ratio of a supermarket and well above the supermarket in prices based on a gross profit of approximately thirty-eight per cent of sales.

With the increasing trends of supermarket operators to marry food and non-food items under one roof, a sales representative should understand the different types of self-service involved, the turnover ratios of such items, profit structures, and the type of

merchandising fixtures used. The trend has also been for super-market organizations to hire department store and variety store personnel to operate their non-food departments. Such personnel have been trained in the traditional merchandising methods used by department and variety stores. The sales representative should understand such traditional business conduct in order to develop effective sales presentations, or to counteract objections based on "high profit" non-food products.

CHAPTER IV

THE DRUG STORE

In most respects the buying and displaying of merchandise in a self-service drug store is similar to the other types of retailers. Rather than reiterate much of the discussion concerning buying, self-service, and merchandising that was developed in the preceding chapters, the approach used here will be how the consumer views a retail drug store operation. This would be significant in developing a sales presentation aimed at the drug trade.

To aid in developing this chapter Mr. William L. Ford, Director of Research of the National Wholesale Druggists Association, was good enough to supply his personal copies of two very significant studies prepared in 1960. The first study is "The American Drug Store—A Qualitative Study of Its Image, Use, and Function," which was prepared for the NWDA by Social Research Incorporated. The second report is "The American Housewife and Her Drug Store," prepared for NWDA by the J. Walter Thompson Advertising Company. Both of these studies are invaluable sources of reference, and appreciation is extended to Mr. Ford and the National Wholesale Druggists' Association for making them available.

Operating Statistics

The Census of Business combines both drug and proprietary stores to show a total of 56,009 stores in the industry. These

stores represented annual sales in 1955 of \$1,241,791,000.¹

Drug store volume, profits, and so on, will vary considerably depending upon the size of town, or city, in which the store is located, and on the amount of prescription business the store enjoys. However, for an example of operating percentages, assume a self-service drug store does an annual prescription business of ten to twenty-five per cent of sales, and the total annual sales are somewhat in excess of two hundred thousand dollars. The operating ratios would appear to be as follows:²

Average prescription volume	17.5%
Other sales per store	37.2%
Total sales per store	100.0%
Cost of goods sold	69.0%
Gross margin	31.0%
Total expenses	47.9%
Net profit before taxes	4.1%
Annual turnover of inventory	4.0 times
Number of prescriptions filled per year	13,275
Average prescription price	\$2.50

¹U. S. Department of Commerce, "Operating Ratio For Drug Stores in 1955," Business Services Bulletin 44.

²ibid.

Prescriptions are an important part of the dollar volume generated; however, about eighty-two per cent of the total sales are realized from "other" types of merchandise—patent medicines included. But, as will be shown, it is in this area of "other merchandise" that the drug store operator has to be much more discriminating than the department store, the variety store, and even the food store, in merchandise assortment.

The average operating ratios for some two thousand independently-owned and operated drug stores in 1950 were as follows:³

average annual sales per store	102,822
Gross margin	33.4%
Total expenses rate	21.2%
Net profit before taxes	6.2%
annual rate of stock turn	3.8 times

There are many reasons why the expense ratios and the gross margins are considerably higher in drug, variety, and department stores than they are in the supermarket. Total dollar generated, amount of services offered, methods of buying, and so on, are all factors. The important point for consideration is that such operating ratios are higher.

³This.

Character of a "Drug Store"

The drug store, whether it is the small corner type or the huge supermarket type, apparently has a different character in the minds of the public than do the other types of retail stores.

"The drug store is many things to many people; over many things to any one person. It is a necessity, although some of the items carried may be viewed as frivolous. It is a public place, yet one may wish it to be a private place when seeking advice on products which it is embarrassing to request publicly. It has a bathroom character, in terms of oral and cosmetic products. It is commercial yet professional. It is close, familiar, and often used, yet a place to be nostalgic about, where changes have occurred that push some ideas about it into an ideal past."⁴

Such an eloquent definition hardly needs further comment. It concisely casts the roll of the drug store in retailing.

The drug store's image to the public is based primarily on health, and the purchasing of medicine when ill. This makes it somewhat comparable to a food store; however, the *AMA* studies point out, "It is different from a food store, too, in that one may need food to live, but one can select and evaluate it."⁵ The drug store is a place where the customer wants to feel confident and secure, "It is important to remember that the drug store is not only necessary, but necessary for products which cannot always be judged by the customer, who must then trust the store and the pharmacist."⁶

⁴"The American Drug Store--a Qualitative Study of Its Image, Use, and Function," prepared for the *AMA* by Social Research, Inc., 1957.

⁵*Id.*, p. 3

⁶*Id.*, p. 3

Concerning store layout, based on the public's image of a drug store, the report notes, "The drug store has psychological areas-- the front is viewed as a public place and the rear of the store where more privacy is desired."⁷

Some people apparently like to be able to buy a wide variety of items in their drug store, but others seem to have very strong feelings about cleanliness, being able to browse, and the type of merchandise sold. Several comments strongly indicating people's feelings were noted:⁸

"Such stores (those with other than pharmaceuticals and traditional drug store items) make me feel I am in a variety store, and that the pharmacist is merely a clerk with no special training."

or....."I want to feel the (the druggist) is a trusted friend like our family physician is, and that he concentrates mostly on prescriptions, etc., not on one-rate variety store items."

Such feelings expressed by those interviewed are certainly worth noting when comparing the public's view of the drug store and the negative view of the "one-rate variety store items." Does this indicate that many people consider variety store merchandise to be of considerably lower quality?

The drug store is viewed as a professional place rather than a commercial enterprise, and people generally think of their

⁷Ibid., p. 4

⁸"The American Housewife and Her Drug Store," prepared for the NWIA by the J. Walter Thompson Company, 1952, p. 11.

druggist as a professional man of high status not far removed from the doctor.

In the eyes of the public the drug store has the following paradoxes:⁹

- (1) It is highly public.....It deals with secret problems, has a private business quality.
- (2) It provides treats and items of self-indulgenceIt is an absolute necessity in providing necessities.
- (3) It is commercialIt is professional.
- (4) It is close, familiar, defines the "old neighborhood".....It is a place of choice, where each is seen as different.
- (5) It is a socially, pleasurable placeIt is beneath some sufficient, better, self-service.
- (6) It has an impersonal atmosphereIt is becoming more impersonal.

Types of Drug Stores

"The NDA studies existing link between drug stores and apothecary shops, the hospital drug store, the small and large neighborhood drug store, and the supermarket drug store."¹⁰ The apothecary shop and the hospital drug store are viewed as good places to have prescriptions filled, they have a high status, are

⁹"The American Drug Store," op. cit., p. 10.

¹⁰ibid., p. 11.

professional and clean. Familiarity is the major attribute in the small neighborhood drug store—but they are often played as light or dark, clean or dirty, while the large neighborhood store is usually more modern and has a wider variety of merchandise assortment. The large supermarket drug store lacks some of its "breakfast pan" identity, but carries a very wide assortment of candies etc. Many people seem to view the supermarket store as a small department store. The following comment states, "There is also a tremendous amount of the other because of the availability of the drug store, super market drug store, the large hardware store, the hardware store, and the department store....There is a number of merchandise which the same of some-printers least as stores, where the store is usually interrelated - side. This is true of standard products with some brands, where advertising has made parallel familiarity, a difference, and has enhanced the expenditure of self-service facilities. As a result, a hair cream, a sanitary napkin, or a change in retail purchase in the grocery store rather than the drug store. Convenience or cost tend to dictate place of purchase."¹⁰

Therefore, regardless of the size, and the assortment of merchandise, people have very definite ideas of a drug store. In different

¹⁰1944, p. 41

¹¹1944, p. 34

¹²1944, p. 35

from a supermarket, variety, or department store yet it is viewed by many as being closely associated with just other types of retail establishments.

Such findings suggest a sales approach that would be pointed to the professional dignity of the druggist and his store. Strong emphasis could be placed on how a particular product meshes in with the "bathroom" character of the store, and the probable degree of cleanliness and confidence. Such an approach would readily lend itself to uniform paper products.

CHAPTER V

THE BUYING CENTER

Trends in Location of Stores

Presuming a sale has been successfully made at the headquarters level the representative will then want to take his story to the operating store personnel. As has been indicated, the supervisor and store personnel will want the same factual product information presented at headquarters. However, the information will be most effective if it is tailored to the local situation. It would be impossible to attempt to define every type of local situation encountered. This will vary depending upon geographic location, whether local or sites, or any location between these two extremes. However, one clue to the characteristics of a local market situation seems to be in the development of shopping centers. Such centers are a comparatively recent development, and according to Mr. A. J. Long, Vice-Chairman of the Board of Commercial Stores, shopping centers are the only real innovation in retailing in thirty years.¹

By identifying the type of shopping center and the sales representative could also identify the types of customers attracted to the particular stores in the center and what type of promotional activity would be most appealing to such stores.

¹Talk given to the Food Marketing Management Students at Michigan State University on April 17, 1961.

Growth of Shopping Centers

In 1961 it is estimated that one thousand new centers will open, and by 1962 it is predicted that five thousand five hundred centers will be in operation doing an annual retail volume in excess of fifty billion dollars.² It was estimated in 1960 that fifty-five per cent of the new supermarkets opened were located in shopping centers.³ Actually the development of centers is not confined to suburban areas, but can be found in many downtown areas--especially in those cities undertaking urban renewal projects.

Types of Centers

A shopping center is different from a business district in that the center is planned, designed, developed, and managed by a single owner or group of owners.⁴ In the other kind of business district is not so exclusive or unified. A "string" of stores along a street is not a center unless all of the stores are under the same management.

Shopping centers are of three types: the neighborhood center with ten to fifteen stores, the community center with twenty to forty stores, and the large regional centers.⁵ Basically, the

²"9th Annual Report of Shopping Centers," Main Store Age, May 1961, p. 2-19.

³ibid., op. cit., p. 110.

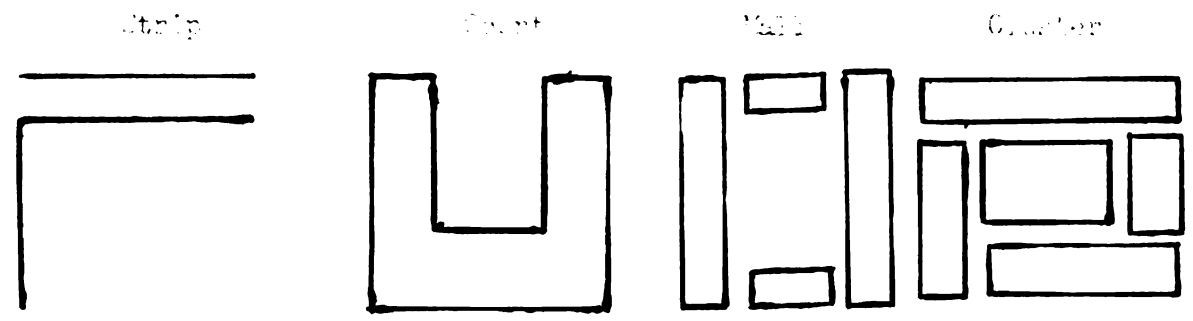
⁴Paul F. Smith, "Shopping Centers," Report prepared for the National Retail Dry Goods Association, 1950, p. 17.

⁵ibid., p. 17.

neighborhood center will have a large food store, hardware store, drug store, and perhaps such service stores as dry cleaners and barber shops. The community center may have one or two supermarkets and other types of retail stores. The prediction is that the key "pulling" stores in this type of center in the future will be a junior department store, the supermarket and possibly a discount house.

The regional shopping center may have one or more department stores, supermarkets, variety, and drug stores, as well as other types of retailers and service stores. This type center will be located on a tract of land of from thirty-five to as much as 100 acres, and may draw customers from fifteen or twenty miles away.

Usually a center is identified as a "strip," a "court," a "mall," or a "cluster" of stores.¹ The strip and the court are more closely associated with neighborhood or community centers while the mall and cluster are associated with the larger regional type centers. However, there can be considerable overlap between these layouts and definitions.



¹ IBIS, pp. 91-113.

Center Locations

Prior to construction of a center the developer will rely heavily on population surveys, trade surveys, and traffic surveys. Such surveys will answer such important questions as: types of customers to be served, and the habits and characteristics of such potential customers. This will include occupations, incomes, size and ages of families, and so on. Trade surveys will indicate other types of competition in the area, and traffic surveys will consider the types of roads, or highways, leading to and from the center as well as how congested these highways are with heavy traffic.

A store manager may not have such specific facts, but the manager of the center, who is employed by the developer, will have such information. The sales representative would do well to establish such a contact.

Management of a Barrier Center

Most of the larger centers will have a center manager. His staff is responsible for maintenance of the center, his tenants' leases, all other administrative tasks, and merchandising the center as a unit.⁷

In addition, many centers have a Merchants Association composed of the tenants in the center. The association's functions is

⁷Ibid., p. 100.

is making decisions on:

- Sales promotions
- store hours
- Maintenance and operation of common facilities
- Parking regulations
- Window display contents
- Community events
- Others

In a word, the committee attempt to approximate all matters affecting operations of the center. Therefore, the members of a center may be more closely united in their thinking than in a business district where no such cooperation is attempted.

Leases

Most leases are based on a minimum rent guarantee and/or a percentage of sales.

- Department stores - 10 to 15% of sales
- Department stores - 1 to 10% of sales
- Specialty stores - 5 to 10% of sales

Leases will usually be signed for a period of five years or less, up to twenty-five years. The average lease is approximately fifteen to twenty years.⁸

If possible there are many other parties who in the act of planning and development of a center, and the parties involved who should help the sales representative in planning either directly or

⁸ ibid., pp. 133-140

⁹ ibid. ibid., pp. 141-142.

his sales presentation. It might suggest ways of getting additional information to use in strengthening a "prospector" type sale.

As these centers develop, and incorporate department stores, branches, supermarkets, variety stores, drug stores, and florists' houses, in their "merchandise mix," it will be all the more important for the sales representative to understand how these businesses operate, and how to sell them. The innovation of displaying certain sets of stage for some really spectacular sales when centers finally develop to the point where they can be taken as a tight unit.

CLASS VI

TRADE ASSOCIATIONS

Some of the more prominent professional and trade associations which represent the positions discussed herein are as follows:

Food Stores and Departments

National Association of Food Chains (NAFCO)
1825 Connecticut Avenue
Washington 6, D. C.

National Association of Retail Grocers (NARPG)
240 North Michigan Avenue
Chicago 1, Illinois

Super Market Institute (SMI)
500 North Dearborn Street
Chicago, Illinois

National American Wholesale Grocers Association (NAWGA)
1400 Michigan Street
New York 17, New York

Supermarket Food Institute of America
140 West Jackson Street
Chicago 4, Illinois

Department Stores

National Retail Merchants Association
100 West 34th Street
New York 1, New York

Variety Stores

National Association of Variety Stores
203 Merchandise Mart
Chicago 54, Illinois

Variety Store Association, Inc.
25 West 43rd Street
New York 36, New York

Organizations

National Wholesale Druggist Association
220 East 42nd Street
New York 17, New York

National Association of Chain Drug Stores
41 Park Avenue
New York 10, New York

National Association of Retail Druggists
100 West Jackson Drive
Chicago 4, Illinois

Manufacturers

Greenberg Manufacturing America
205 West 42nd Street
New York 17, New York

Several of these associations, and the studies conducted by the Harvard Business School and the National Civil Liberties Council, have been of great help in compiling this discussion. The reader will find these groups most helpful in supplying information requested.

DISCUSSION AND CONCLUSIONS

Our hypothesis, in the introduction of this paper, stated that there were fundamental differences in selling to and through department stores, supermarkets, variety stores and drug stores. It was asserted that sales techniques would be more effective if developed to appeal to the traditions and customs of the types of retailers considered.

It was noted that in the department store the department buyer is the key person, but the merchandise manager is an important influence on what products are accepted, and how they are promoted. In-store selling operations are based on self-selection with sales-clerks as contrasted to the self-service form in supermarkets. Average departmental markup is approximately thirty-seven per cent with an average turnover ratio of four to five times annually. Their business is based on tradition.

We examined the supermarket buying committee, and its importance in gaining distribution through such retail outlets. Emphasis was placed on what the personnel of the buying committee look for when considering a new item. The New Product Form, and the suggested fact sheet, would be applicable to any sales presentation to any of the four types of retailers under consideration. They all want facts--and this is just plain good selling. Mr. Anderson, of Safeway stores, substantiated this when he stated that Safeway buyers cannot remember the facts on all new products by the end of each week

when the buying committee meets. It appears any retailer wants factual information in well-organized form--and that's just plain good business.

In variety stores, consideration was given to self-service. Apparently it has not generated a faster rate of turnover for variety stores as it has for supermarkets. Perhaps this suggests that impulse sales in variety stores are not of the same magnitude as to goods in supermarkets. It was also noted that when stock is analyzed, and heavy cases of merchandise might cause real problems for a manufacturer. It seems advisable for the sales representative to "tell his story" to salesclerks in supermarkets, variety, and drug stores since they still have an imminent relationship with the selling situation at the point of sale. Display fixtures seem to vary considerably; therefore, the representative should be ready to make suggestions on the best fixtures and layouts for his products.

Mrs. Consumer apparently does not view drug stores in quite the same manner as the food department, variety, and supermarkets. The sales presentation to the druggist, or manager, could be developed around the consumer's view of confidence and trust in the drug store. It might also suggest that the presentation, to the druggist, should be aimed at his higher professional level.

These are only a few of the inferences that could be drawn even from the limited material presented in this paper. A specific situation might make one of the other points more valuable. The

situation will dictate the method of presentation used.

Retailing has been, and is, changing rapidly. Downtown areas, the strongholds of department stores, have become increasingly congested. The population of this country has become more mobile because of the automobile. Shopping centers have been springing up at a fantastic rate to meet the new and changing needs of the consumer, variety, speed, and supermarkets are the key words in the center.) The retailing scene is changing rapidly, casual and fast fashions. People are more interested in merchandise, and it has been particularly revealing to see the new forms of retailing.

These changes of retailing and location are a result of effort on all retailing and methods of distribution. This effort will change the retailing scene, and the progressive merchant, and his sales representatives, will have to be prepared for it. To do this successfully, a representative must recognize, and understand, the different types of retail and how they are changing; why they are changing; and in what direction. For the sales representatives will have real news to share to their clients.

2011

DEFINITIONS

Supermarket: "Any store, chain or independent, doing \$100,000 or more per year in grocery and related products."¹ (This definition could also be extended to show that a grocery supermarket is usually divided into four main sections: grocery, produce, dairy, and meat.)

Variety Store: "These are retail establishments primarily engaged in selling a variety of merchandise in the low and popular price ranges such as stationery, gift items, women's accessories, toilet articles, light hardware, toys, housewares, confectionery, etc. They are frequently known as "5 and 10 cent" stores and "1 cent to a dollar" stores, although merchandise is usually sold outside these ranges. Sales usually are made on a cash-and-carry basis with the open selection nature of display and customer selection of merchandise."²

Druggist: "These are retail establishments engaged in selling prescription drugs only, or in combination with such lines of merchandise as proprietary medicines, cosmetics, toiletries, tobacco, candy flowers, novelty merchandise,

¹Progressive Grocer, "Twenty-Sixth Annual Facts in Grocery Distribution, 1959 Edition.

²United States Census of Business, Vol. 11, Retail Trade and General Statistics, 1912. p. 25.04.

etc."³ (Such stores may or may not handle grocery items, fountain service, and a wide assortment of other merchandise and services.)

Department Stores: "These are retail stores carrying a general line of apparel, such as suits, coats, dresses, and furnishings; home furnishings, such as furniture, floor coverings, curtains, draperies, linens, major household appliances, and accessories such as table and kitchen appliances, dishes, and utensils. These and other merchandise lines are normally arranged in separate sections or departments with the appearance on a departmental basis. The departments and functions are integrated under a single management. Establishments included in this classification must employ twenty-five people or more."⁴

Self-Serving: is defined as a system under which customers choose merchandise from displays and take their selections to a check-out for payment.⁵

³Ibid., p. 26.06

⁴United States Census of Business, Vol. 1, "Retail Trade - Summary and Statistics," 1954.

⁵"Self-Service in Variety Stores", Harvard Business School, Division of Research, I. E. Robinson and F. J. Noy, Bulletin #117, July 1956, p. 1.

Self-selection: is a system under which customers make their selections and take the merchandise for payment and wrapping to open cash-wrap stations located at various places on the selling floor. Cash-wrap stations sometimes are merely cash registers and bar bins placed on display counters facing customer aisles. In other instances special cash-wrap leads, separate from display counters, may be placed among merchandise departments.⁶

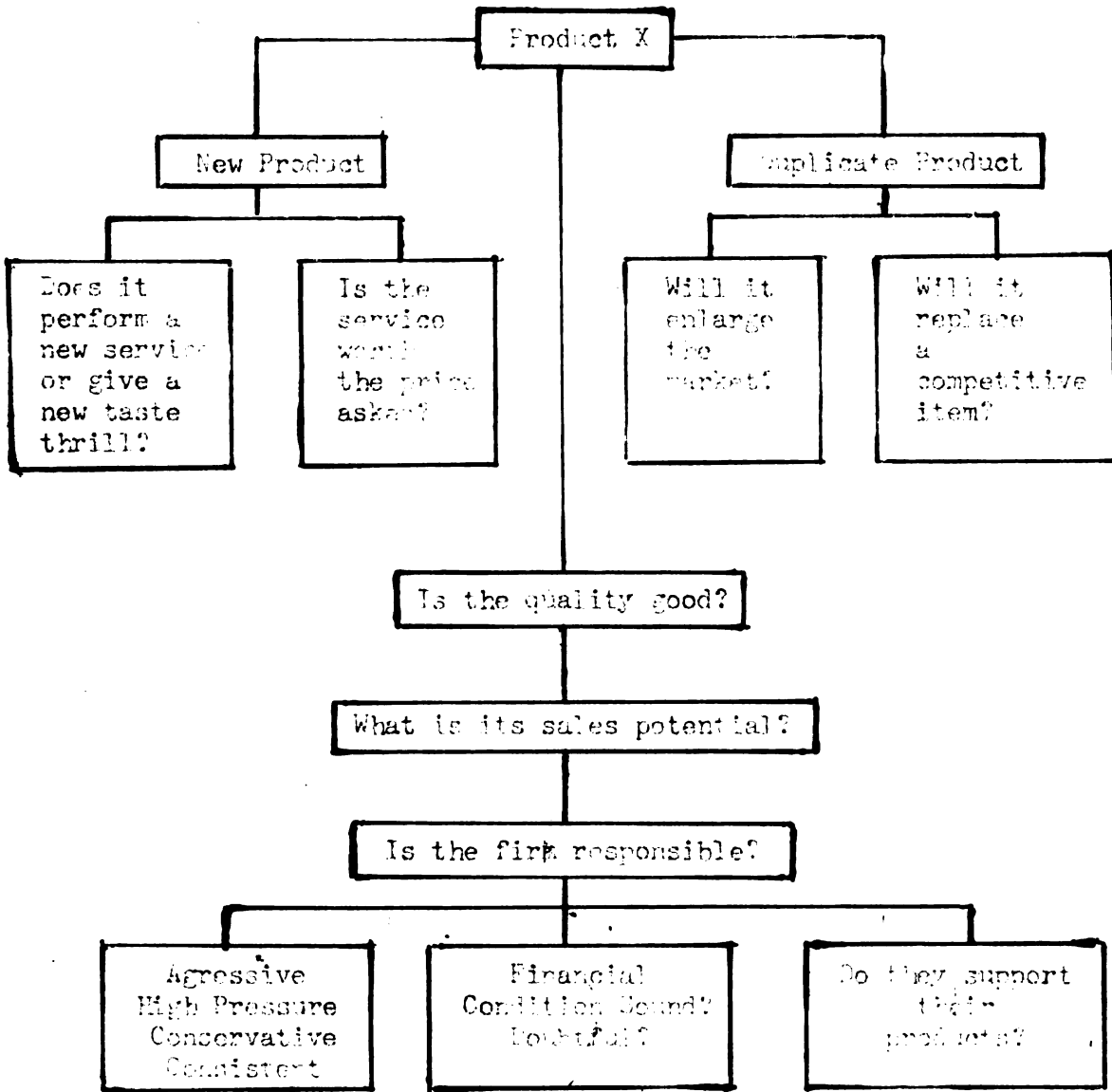
Undoubtedly there are other definitions that would also apply to the types of retail stores considered herein, but the problem of accurate description is one of the confusing and ambiguous issues that has not yet been solved.

The lack of precise definition is one of the real drawbacks in making valid comparisons in retailing, wholesaling, or distribution in general for that matter. Much work should be done in this area alone, but such a discussion on standardization of terms is not within the framework of this particular report.

General stores, superettes, apparel stores, discount houses, and huge mail order houses have been omitted; however, many of the products now found in supermarkets, variety, drug, and department stores can also be found in the merchandise mix of such other store classifications. To say that this adds confusion to precise definition is a gross understatement.

⁶Ibid., p. 1.

JEWEL TEA COMPANY



NEW PRODUCT INFORMATION REPORT

Date offered _____

Date available _____

To Sales Representatives:

Filling out this form will facilitate prompt consideration of your product. The points outlined below are for the buyer's use in determining his final decision. Please furnish three product samples and attach copy of cooperative advertising contract and price list if available.

Brand Name _____ Novelty _____

Description _____

Manufacturer _____ Mfr's Financial Rating _____

Address _____ Tel. No. _____

Insurance Company _____

Amount of Product Liability Carried _____

Guaranteed to Conform to Federal Food & Drug Act - Yes _____ No _____

Size _____ Case Pack _____ Type Container _____

Case Wt. _____

Store Handling Consideration: a. Spot for price: Yes _____ No _____

b. Suitable for shelving: Yes _____ No _____

c. Tear strip cases: Yes _____ No _____

d. Merchandise Enclosed: Yes _____ No _____

Discounts or Promotional Allowances (explain in full) _____

Cost per case _____ Freight Rate _____

LSP point _____ Freight Allowance _____

Manufacturer's price _____

Suggested retail price _____

Guaranteed date: To _____ In _____ How long? _____

Price Protection Policy _____ Introductory Offer _____

Delivery desirable _____ How shipped? _____

Competition - how handling item: _____

Proposed advertising: _____

Newspaper _____

Radio, TV _____

Cooperating _____

Length of advertising campaign: _____

Remarks: _____

Representative's name _____

Company _____

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