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GOURMET FOODS -
NOT SUITABLE FOR THE MASS PRODUCER

by

Robert D. Howe

Dedication

The writer wishes to dedicate this thesis to his wife "Yuban" without whom I would still be wondering.

--Robert D. Howe--

Acknowledgment

The preparation of this Thesis would not have been possible without the expert guidance and inspiration of Dr. Edward M. Barnet, Director of the Programs in Food Distribution Administration, Professional Education for Future Executives in Mass Marketing Management, at Michigan State University.

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INTRODUCTION

The market potential of fancy foods is a most interesting subject to me, not only because of General Foods' entry into the fancy food business, but also because of the recent statement by the Chairman of the Board of General Foods Corporation, Charles Mortimer, saying General Foods will discontinue sales of its gourmet foods in stores because the market for them "simply isn't growing fast enough". He said the Company's gourmet food customers will be served by mail orders.¹

Modes of living are changing rapidly and Mrs. Consumer is going through a revolutionary change. Today, Mrs. Consumer expects to find at her supermarket not only staple foodstuffs but also handy one-stop items such as shampoo, baby needs, nylon hose, and perhaps even a new lawn rake. And with the introduction of fancy foods in the supermarket, she can also buy Copenhagen Ham, Antipasto, Crepes Suzette, Russian Beef Stroganoff, or other food delicacies. But how interested has Mrs. Consumer become in this line of foods?

There is probably no category of foods on which there is less statistical data and general knowledge than is the case of the fancy food field. This is true in the case of actual statistical

¹"General Foods to Halt Gourmet Line in Stores", Wall Street Journal, (February 29, 1960).

data as well as at the trade level. The statistical data is from the only known industry surveys which were made in 1958 by Progressive Grocer.

It is difficult to place a precise definition on what fancy foods are. There does not seem to be a description that will establish a framework for discussion that would cover specific segments of the fancy foods business. The trade has little or no accurate knowledge of this business, even as it exists in their own stores. Not enough is known as to what interest or emphasis the trade should be placing on fancy foods. The trade's principal fascination with the fancy food field is the high per item profit margin, yet there are many other factors that must be considered along profit margins.

It is evidenced by my study that this relatively new field has not been fully explored yet by the trade nor has Mrs. Consumer put forth her full buying potential.

The purpose of this thesis titled, Gourmet Foods - Not Suitable for the Mass Producer, is to enlighten management in the Fancy Foods Industry on some of the major problem areas in this field, and to prove that gourmet foods are not suitable for the mass producer because they are too much and too soon, as evidenced by the study of the outcome of General Foods' Gourmet Line.

Some of the important areas to be discussed are: The nature and importance of specialty foods, the benefits of fancy foods to consumers and retailers, the distribution practices, what the future emphasis will be, and lastly the highlights of the story of General Foods' Gourmet Line.

CHAPTER I

MARKET POTENTIAL OF FANCY FOODS

The Nature of Specialty Foods

A precise definition of "fancy foods" is hard to find. Fancy foods, gourmet foods, party foods, specialty foods, imported delicacies--all refer to the particular line of fine foods to be discussed in this paper.

The words "fancy foods" mean different items to different people. The items run from soup to nuts, and can be in almost any form - dry, frozen, fresh, etc.

Generally they fall into the following categories:²

Cocktail meats and fish	Fish, Seafood
Beverages	Hors d' oeuvres
Breads, crackers	Fruits
Candy	Juices
Caviar	"Nationality Foods"
Cheese products	"Non-Foods"
Condiments, Seasoning, Mustard	Meat products
Cocktail Spreads	Olives
Cocktail Tidbits, Snacks, Nuts	Preserves, Jellies, Honey

²Observations on the Fancy Foods Business. General Foods Corporation, July 1959.

Cocktail preparations	Pickles
Cookies, biscuits and cake	Sauces and salad dressing
Desserts, syrups, puddings	Soups
Dietetic	Vegetables
"Spooky" foods	

In various markets or department stores or specialty shops the fancy food line may be known as gourmet foods or hospitality items or party foods, displayed in a section of the store called the "Gourmet Corner", Epicurean Food Section", Hostess Cupboard", or the "Importation Counter".³

A popular misconception is that specialties are limited to exotic foods such as: rattlesnake, snails, rose petal jam from Turkey, fried ants, fried baby bees, whole baby octopus. In truth, these exotic items and "spooky" foods are only a very small portion of specialty food lines.

The leaders in the industry maintain that a specialty food must necessarily possess high quality. To achieve this standard, dealers often seek out the countries renowned for excellence in the production of a particular item. Reese Finer Foods has done this in their search for ants for their fried ant specialty. Reese Finer Foods feels that one of the basic rules and principles in importing a food product is that the natives of a country from which the food is imported have eaten the food themselves and regard it as a delicacy.

³"National Survey Shows Fancy Foods Solid Success", P Progressive Grocer, Vol. 37, No. 10, (October 1958), p. 198.

Therefore ants are imported from Columbia, as there is no other country where inhabitants consume ants as a delicacy.⁴ Also, Reese said that their aim in introducing ants on the market is to give the American public a true picture of eating habits in other nations.

The toasted queen ant always enjoys a sellers' market in Columbia: a favorite cocktail delicacy, and popularly reputed to give their eaters courage. Columbians call them "Caviar of Santander".⁵

Some of the other specialty foods are imported from the countries known for excellence in the product. From England -- biscuits, candy tea, marmalade, ginger; Germany -- cheese, mustard; France -- truffles, pate de foie gras; Belgium -- wild rice, cocktail onions; Holland -- chocolate, cheese, canned ham, honey; Italy -- antipasto, glazed fruits; Japan -- smoked oysters, salmon, tuna; and from Denmark -- marzipan. An interesting point to note is that many nations have the facilities and know-how needed to produce their respective specialties at a high quality. Generally, foreign producers jealously guard these standards and take pride in the international significance of their particular product. Good quality is maintained in imported foods since this merchandise is subject to strict government inspection. This does not imply that American distributors of fancy foods are not equally quality-conscious.

⁴Facts About Ants as a Specialty Food, Reese Finer Foods, Incorporated, Chicago, Illinois, March 1960.

⁵"Caviar of Santander", Time Magazine, June 9, 1958, p. 32.

Over 300 companies are presently engaged in the manufacture of gourmet foods -- companies both domestic and foreign. At least 40 percent of the gourmet foods are of domestic origin.⁶

S. S. Pierce of Boston, for example, packs none of its own goods; instead, they pay a premium price to the packers. The packers are expected to provide such special quality items as baby carrots of a specific shade of yellow, halved tomatoes that don't fall apart when removed from the can, or pears with long necks, having a more shapely look, or peas that can be broken by the pressure of the tongue against the roof of the mouth.

At odd intervals, Wallace Pierce and other company officials will sample and rate a particular item. A can of peas will be rated on tenderness, color, flavor of liquor in which the peas are packed, and defects in the individual peas, such as lack of uniformity in size. In this way, the superior quality of a particular food item is guaranteed.⁷

Superior quality should also be reflected in the packaging of fancy foods. In some instances, the main difference between the regular line food and a specialty food is the package. Bacon rinds packed in cellophane bags are staples and are displayed usually along with pretzels and potato chips. The same bacon rinds placed in a fancy jar may be found in the gourmet section. The fact that

⁶Micky J. Morris, "Store Operators See Big Growth in Fancy Foods", Progressive Grocer, Vol. 37, No. 9 (September 1958), p. 103.

⁷Katherine Hamil, "Caviar in the Supermarket", Fortune, Vol. 59, No. 1 (January 1959), p. 101.

vacuum packing preserves freshness over a longer period of time, possibly justifies the two classifications. The public relations consultant for the National Association for the Specialty Food Trade stated: "An olive is not a gourmet food, but a large olive stuffed with an almond is."⁸

In general, fancy foods are specialties which are not part of the regular line of grocery products. The word "delicacies" is a more specific word which could describe them.⁹ Perhaps an essential feature of fancy foods is its psychological effect upon the consumer. Purchasing a box of Canape Biscuits conceivably creates a feeling of luxury similar to that of opening a bottle of champagne. The feeling of "gracious living" may be heightened by the prestige value of the product, its presentation at the retail outlet, its appearance as it is opened and also its price. These factors may even sharpen the consumer's taste perception. A higher price emphasizes the superior quality of fancy foods. The people who can afford to purchase premium foods expect to pay premium prices. Consumers are likely to appreciate delicacies more since they pay more for them. The "exclusiveness" in a higher price gives Mrs. Consumer the aura that she is fortunate and others can not obtain this product specialty.

To summarize the nature of specialty foods, I feel they must necessarily have the following characteristics to be called "fancy foods":

⁸ Ibid. p. 103.

⁹ Glenn Snyder, "Practical Pointers on Getting Started in the Fancy Foods Business, "Progressive Grocer, Vol. 38, No. 2 (February 1959), pp. 147-8.

1. domestic or imported delicacies of high quality and/or unusual nature;
2. items not usually purchased by low income groups;
3. contained in fancy packaging superior to standard items;
4. have the connotation of a luxury to the consumer;
5. marked with premium prices;
6. uniquely superior to any culinary dexterity of a hostess or hired help.

The Importance of Specialty Foods

The retail survey conducted by Progressive Grocer in 1958 seems to be the most recent and best information available on fancy food operations. They mailed questionnaires to 6,000 in the high volume category (over \$500,000) located throughout the United States. They had an 11 per cent return.

The following list from this survey shows the per cent of stores displaying the most popular items in order of their apparent popularity and suggests, to a degree, the sales performance of each:

<u>Rank</u>	<u>Items</u>	<u>% Stores</u>
1	Fish (sardines, smoked clams, etc.)	98.3
2	Olives, onions, pickle specialties	96.1
3	Cocktail crackers, snacks	87.1
4	Cocktail franks, meatballs, etc.	85.7
5	Meat and seafood sauces	83.2
6	Caviar	79.9
7	Vinegar	79.6
8	Cocktail napkins, toothpicks	78.8

<u>Rank</u>	<u>Items</u>	<u>% Stores</u>
9	Canape and sandwich spreads	78.5
10	Jams, jellies, preserves	77.1
11	Salad dressings	76.9
12	Mustard	76.0
13	Cocktail mixes	74.9
14	Cocktail fruits	71.1
15	Wafers, biscuits, cookies	69.1
16	Seasonings	67.2
17	Canned meats	66.9
18	Grenadine and bitters	65.8
19	Nuts	65.6
20	Fruit specialites	64.5
21	Imported cheese	62.5
22	Domestic cheese and cheese products	62.0
23	Frozen rock cornish game hen	60.3
24	Mexican-style foods	59.2
25	Soups, canned or dehydrated	57.0
26	Glazed fruits	54.5
27	Gooseliver pate	54.5
28	Specialty breads	54.3
29	Confections	53.4
30	Spices	53.2
31	Truffles, fancy mushrooms	53.2
32	Tea	48.5
33	Herbs	48.2

<u>Rank</u>	<u>Items</u>	<u>% Stores</u>
34	Honey	47.4
35	"Spooky" foods	45.7
36	Vegetables, tins or jars	45.2
37	Dessert specialties	44.9
38	Canned fancy fowl	40.5
39	Wine	25.3

(Incidental to this list is the fact that 24.2% carry diet foods in the fancy foods section.)

At the time of introduction, the General Foods' Gourmet Line was handled by a separate Gourmet Division. Recently, the line was turned over to the Maxwell House Division in hopes that the long established Maxwell House Division would be able to locate some of the pitfalls of the gourmet food line.

Upon receiving Gourmet Foods into the Division, Maxwell House decided to make its own complete survey of the gourmet field because there was very little information available as to the brands in the field, distribution practices, pricing practices, the attitudes of the trade toward these product lines, etc.

During the months of August and September, 1959, members of the General Foods Sales Force conducted interviews with Headquarters personnel of major grocery accounts. Interviews with representatives of ninety-five buying offices resulted in questionnaires being returned from the following geographical regions: Eastern, 27; Southern, 18; Central, 30; and Western, 20. The interviews were conducted with a side range of persons concerned with the buying of

grocery items. They ranged from chairman of the board to store supervisor; from vice president to grocery buyer; from director of purchasing to store manager.¹⁰

In viewing the number of fancy food items carried by the buying offices, the annual average dollar volume, and rate of turnover, it was found that no definite pattern emerged from the data. Slightly less than half of the buying offices carried between fifty and one-hundred and fifty fancy food items, with twenty-five per cent carrying less than fifty. Figures offered on annual average dollar volume ranged from two thousand dollars up to twenty thousand dollars.

A few responses indicating volumes of eighty to two-hundred thousand dollars appear to be indicative of the total grocery line (or even of the total fancy food volume in all stores served by one buying office), and for this reason might be disregarded. There also appeared to be some confusion regarding the turnover rate of fancy food items; as though some of those interviewed answered on the basis of their entire store's rate rather than the fancy food line.

When asked to state the two most important factors bearing on a store's decision to include a separate fancy food section, respondents tended to group their answers into two general areas: (1) those which were customer oriented and (2) those which were store oriented. In the former, most frequently mentioned were comments regarding the type of customer served -- that the store clientele desired and could afford these items and that fancy foods should be

¹⁰Fancy Food Facts A Survey Of Fancy Food Buyers in Supermarkets (Research Department, Young & Rubicam, Inc., Prepared for Gourmet Foods, General Foods Corporation), December 1959, pp. 1-4.

provided as a service to this customer. Those whose comments were store oriented seemed to feel that a large store was necessary to support a separate fancy food section and/or that it needed a high volume or turnover of the business to warrant an individual display.

Customer demand for fancy foods was the predominant reason cited for carrying the lines. The buying offices again expressed a desire for a complete food line, one offering a wide selection and variety of foods. The prestige value was considered an additional factor, as well as the potential for profit provided by the fancy foods business in general. The main bases for selecting an item for a separate fancy food section are: that it is a specialty or unique type item, that there is sufficient demand for the item itself, and that the retail price places the item in a high priced section.¹¹

From the survey, of the ninety-five buying offices interviewed, nearly all the types of fancy foods were carried by over fifty per cent of them. When asked to rank the top five items by sales importance, we find the order of importance to be:

1. olives, pickles, onions
2. fish and fish specialties
3. tidbits, snacks, nuts
4. salad dressings
5. preserves

In general, the high sales ranking items follow the greater amount of display used; but in some instances it varies, as in the

¹¹ Ibid. p. 3.

case of caviar, cheeses and spices which are low in sales importance, but high in display.

Eighty-three different brands considered as fancy foods were mentioned as being carried by the respondents in the survey. Among the seventy-seven buying offices with fancy food sections, there are several brands that stand out as the most widely carried lines. In the full line, or general category, Reese is stocked by over fifty per cent of the respondents, with Julliard and Cresca poor seconds with about twenty per cent distribution. In preserves, Kelller was outstanding with forty per cent distribution, while in fruits, Raffetto, also with forty per cent, was the leader. The soups category showed two strong lines in Bon Vivant and Habitant, entertaining forty-seven and forty per cent coverage respectively. King Oscar had the lead in fish specialty distribution with fifty-five per cent distribution, while no other brand came close to this except the dominant maker of caviar, Romanoff. In terms of best selling lines among the supermarkets carrying the brands, Reese was mentioned most often, followed by Crosse & Blackwell, Cresca, Julliard and Monarch.

Answers as to why a selected line sells best centered mainly in the area of content of the line -- that is, greater selection and variety, allowing the stocking of more items from a single line.¹²

¹²ibid. p. 4.

Since there are so many factors determining what items are considered fancy foods that can distort the sales picture, it is rather difficult to give an accurate picture of the volume of fancy foods. However, various industry trade sources have estimated the fancy food business at about \$130,000,000. How much of this business is done through supermarkets is another question, and this has been answered, to some degree, by Progressive Grocer.

The 1958 annual retail survey by Progressive Grocer among independent (10 or less) store groups indicates a direct correlation between sales volume and number of retailers who report handling of fancy foods. The following chart shows this:

<u>Independents with Annual Sales</u>	<u>Percent Retailers Handling</u>
<u>Under \$500,000</u>	<u>17.0%</u>
\$ 500,000 to \$ 749,000	31.5%
750,000 to 999,999	35.5
1,000,000 to 1,999,999	54.9
2,000,000 and over	70.8
<u>500,000 and over</u>	<u>43.2</u>
<u>All Independents</u>	<u>22.5</u>

If we assume that this condition holds for chains as well as for independents, then a ratio of stores handling fancy foods to the estimated number of total stores and their share of these stores' sales to total volume can be delivered. Assuming fancy foods' share of total store volume to be 3/8 of 1%, fancy foods' sales would reach

\$44,000,000 to \$50,000,000; at 1/2 of 1% of total store volume, this figure would rise to \$58,000,000 or to \$66,000,000.

If we compare these figures to total estimated fancy foods¹ sales of \$130,000,000, it would appear that 36-45 percent of these sales occur in supermarkets and superettes.

Since Progressive Grocer's estimated retail volume of fancy foods is approximately \$50,000,000, and because Progressive Grocer has estimated the growth of this business to be approximately 10% per year,¹³ we can assume from these estimates that the 1960 retail market should be about \$60,500,000.

Progressive Grocer indicates that retail margins from fancy food products in the supermarket field are approximately 33%. This deducted from the total retail value of the market gives us a 1960 estimated wholesale fancy food market of \$40,500,000.¹⁴

Referring back to Progressive Grocer's list of 39 product categories and the per cent of stores carrying the categories, it is important to note that this list accounts for literally thousands of items which together comprise a market of just \$40,500,000. Obviously the unit volume in any one category is necessarily small, and to achieve a substantial share of this business it requires that the line include items in the major categories -- fish, salad dressings, cheeses and entrees, because these product categories accounted for

¹³Progressive Grocer Industry Survey, 1958.

¹⁴General Foods, Gourmet Foods - Past, Present, Future Management Presentation. General Foods Corporation, pp. 14-15.

almost three out of every five dollars spent for fancy foods as shown by the results of the Super Valu study which showed the percent of the total weekly sales of the average supermarket by item.¹⁵ It is felt that any line attempting to make an important penetration into the business must be an extensive one.

Of those firms (Reese, Julliard, S. S. Pietce, etc.) which have the most prestige in the field, their full lines run from Cresca's 1,000 items to 4,000 items under the S. S. Pierce label. There is a continued shuffling of the types of items under these labels -- many are dropped and new items added continually. There are many well-known individual lines that are outstanding in a particular field. Examples of these are Las Villas in Babas au Rhum, Escoffier in sauces, Cooper in preserves, and Romanoff in caviar.¹⁶

The importers' sales figures give an idea of the size of this business. The largest importer, Reese Finer Foods, does about six and one-half million dollars a year. Cresca, the second largest importer, does close to five million dollars a year; and Liberty Import Corporation is close behind. The business of the other importers runs from as high as two million dollars to as little as thirty thousand dollars a year. But the important thing is that almost all of them increase their sales from fifteen to twenty per cent each year, and show an increase of three hundred per cent since World War II.¹⁷ (This is very significant, I feel, since the entire

¹⁵ ibid.

¹⁶ Observations on the Fancy Foods Business, Op. Cit., pp. 5-6.

¹⁷ Hamill, Op. Cit., p. 103.

fancy food business has been increasing at only a rate of approximately 10 per cent each year.)

There is estimated to be about six thousand specialty item food shops in the United States, and some five thousand specialty "corners" in groceries and other stores. Today nearly one-third of the nation's food stores feature fancy foods, and nearly every new store includes this department in its plan.¹⁸ This is not an overnight or temporary fad. For the past several years consumers and retailers across the country have become aware of the growing trend of distribution of these quality domestic and imported products through regular grocery outlets.¹⁹

Consumers Buying Motives

Some consumer motives for purchasing specialties have been intimated in the preceding pages. The snob appeal was mentioned in the discussion of price as a significant element of a specialty item. Many consumers are "food snobs". Like showing off a new and different hat creation, the hostess will serve unusual and expensive foods to gain the envy of her set. In all fairness though, there are individuals who like to serve different foods in a sincere manner.

Of course, there is the true gourmet: a connoisseur who seeks to enhance the art of better living. This segment of the consuming public has mushroomed recently, coincidental with the nation's expanding economy. At least one observer traces this resurgence as far

¹⁸ Morris, Op. Cit., p. 103

¹⁹ Ibid., p. 104.

back as the early 1930's. A revived interest in good eating has been growing in this country since the repeal of Prohibition, claims Earle MacAusland, editor and publisher of *Gourmet Magazine*. He explains that an appreciation of fine foods goes hand in hand with enjoyment of fine wines and spirits. At the time of Prohibition, meal planning in the United States was done primarily from the standpoint of calories and nutrition.²⁰ Another indication of this increased interest in fine eating is the steady rise of cookbook sales over the past few years.

Many people try specialty foods out of curiosity. They are interested in something new and unusual. Others seek to stimulate their regular food purchases with unique taste treats. There are those who purchase the "gimmick" food as a gag. These are the people who arrive at a party with a can of chocolate covered ants and defy the guests to try one. Reese Finer Foods merchandise to this type of consumer by packaging an assortment of unusual items in this "Spooky" food line. Their selection of this type of food includes: quail eggs, diamondback rattlesnake, Reese grasshoppers, natural snails, alligator soup and fried worms.²¹ These items also make for conversation pieces and stimulate free publicity for the retailer or distributor handling them. Some people in the industry deplore this type of merchandising, contending that it is distasteful to the majority of consumers and detracts from the fancy food field as a whole.

²⁰Victor J. Hillery, "Specialty Foods", The Wall Street Journal, (November 9, 1959), p. 1.

²¹"Spooky Foods", Telefood Magazine, (August 1956), p. 119.

Most Americans have their roots (ancestors who came from abroad) in other lands. They have been fed by their mothers perhaps on such foreign concoctions as: potato pancakes, kimmel kraut, anti-pasto, lingonberries, smoked kippers, goulash and varied other national foods.

When these items appear on the shelves, those with a background of varied cultivated taste for the unusual reach for them. Along these same lines, America today is a great melting pot with people settling here from all corners of the globe. Customs, habits, even recipes brought from native lands are exchanged here in this great country. The Swede may try and like the hot chile and tamale of Mexico. Almost everyone, at one time or another, has attended a Swedish Smorgasbord. Chinese or Polynesian food is always a welcome change for jaded appetites. Kosher corned beef and kosher pickles are no longer the exclusive dishes of the Jewish people. Pizza from Italy and sardines from Norway have attained widespread usage in the United States. Incidentally, all of these foods, which were at one time specialties, are now stocked in nearly every supermarket. In effect, with increased general acceptance, today's food specialty may become tomorrow's food staple. Then, the commodity may appear in two forms: one, as a specialty and the other as a staple if it finally reaches mass production and has lower quality.

Another reason for the increased demand in imported specialties is that the American is becoming quite a globetrotter. Low traveling costs have made it possible for more people to visit foreign countries and acquire tastes for foreign foods. Later, these travel educated people seek to relive a part of their trip or renew old taste

treats, as it were. Some purchase the imported food for friends or to serve at parties, thereby showing off their knowledge of continental delicacies. Consequently, as people learn more about foods from other nations, the old adage, 'one man's food is another man's poison', becomes less appropriate. More Americans are learning to appreciate such dishes as sukiyaki from Japan or blood sausage from Poland. After all, Europeans had to develop their taste for American foods. And at first, many turned green at the sight of a banana split or a hot dog. Interest in foreign countries has been growing through not only increased travel, but also because knowledge of foreign countries has become more widespread through television, magazines, radio and higher education. Interest brings more publicity and more fancy food news, more recipes in the daily press and women's magazines. This breeds more demand.

The trend toward informal home entertaining is an important factor in the increased demand for specialty items. The modern American has gone suburban and has become a home owner. He is buying more records, high fidelity, stereo and television sets with his greater disposable income. He spends more time at home and entertains his friends there. With the move to suburbia comes not only the time to entertain, but more room and more money.

This evolves into a situation of competitive party-giving where each host or hostess tries to outdo the other by introducing unusual items. Thus, the consumer is demanding and purchasing a greater number of party items in more supermarkets and specialty stores today. Of course, this upsurge in the demand for fancy foods is due, in great

measure, to the fact that more people can afford to spend extra money for such luxuries. The rising level of disposable income gives added incentive to families - young couples or old - to gain more prestige in the community. Consciously or subconsciously, homemakers feel that serving fancy foods to their families elevates their position.²²

American people have more leisure time than ever before, thus more time for entertaining. At their backyard barbecues and cocktail parties, they want to serve the best, the unusual, or the fancy. Americans are always looking for something different. For example, for a long time caviar and anchovies have been in demand; but with the acceptance of these and many other new food products, the consumers' interests in trying other new products has sharpened.²³

It has been established that food retailers are beginning to stock fancy foods because of the growing demand. But it is interesting to delve a little deeper into the various other reasons

²²Mass millions are climbing the income ladder. The 1950 and 1960 estimated incomes from the Federal Reserve Board Survey of Consumer Finances gives the following population by income groups: 2.1 per cent of the 53 million population in 1950 had disposable income (after federal taxes) of over \$7,500; while of the 1960 population estimate of 60 million, 6.6 per cent are expected to have incomes at this level. 4.3 per cent of the 1950 population had disposable income of \$5,000 to \$7,500; while in 1960, 16.2 per cent of the population are expected to have incomes at this level. In 1950, 5.8 per cent of the population had disposable incomes of \$4,000 to \$5,000, while 13.2 per cent are expected to reach this income level in 1960.

Therefore, in 1950, 12.2 per cent of the 53 million population had disposable incomes of over \$4,000, which is one-third less than the 1960's 36.0 per cent of the estimated 60 million population that are expected to have incomes of over \$4,000.

²³"Fancy Foods Handbook", Progressive Grocer, 1959.

behind the fact that more grocery operators in recent years have included fancy foods in their stores. The prestige factor enters here, just as in consumer desire. When a retail store carries fancy foods, they get a reputation for carrying the finest in everything.²⁴ A California operator stated the following about stocking fancy foods: "The purchasing potential for these items is limited to a certain extent, but fancy foods are a decided asset to any supermarket."²⁵

Current Developments

To satisfy the increased demand for fancy foods, the Industry is constantly seeking new and interesting items. To supply this growing volume, new merchandise must be introduced regularly to keep the public interested. Dealers and buyers tour foreign countries in search of new and unusual items. Henry Herz, President of the Herz Importing Company, visits Europe twice a year in an attempt to find sources of new products. Reese Finer Foods sends their authorities to the Orient and other foreign countries in search of unique dishes.

American producers are also becoming more active in the specialty foods industry. To illustrate this greater emphasis on gustatory delights is the increased use of herbs. Firms, such as the

²⁴Glenn Snyder, "How Fancy Foods Can Benefit the Over-all Store Operation", Progressive Grocer, Vol. 38, No. 2 (February 1959), p. 149.

²⁵Mickey J. Morris, "National Survey Shows Fancy Foods Solid Success", Progressive Grocer, Vol. 37, No. 10 (October 1958), p. 200.

House of Herbs, and John Wagner and Sons are promoting and selling the more unusual herbs -- marjoram, rosemary, tarragon, anise, borage and lovage. House of Herbs began marketing five herbs for home chefs in 1941; today it offers over 98 products, including 28 different herbs and such things as herb vinegars, sauces, seasonings, blandings and salad dressings. Sales of the House of Herbs and of John Wagner have soared in the past five years.²⁶

Observers of current developments in the industry disagree as to the future of specialty sections in department stores. Some feel that only a few will be able to withstand the inroads made by supermarkets. Others contend that the majority of department stores being opened today include gourmet sections. In addition, the stores that do carry them appear to be satisfied with their success. According to experts, such a section is deemed successful when it pays for itself. The reasons for maintaining this department, even though it may be unprofitable, will be discussed later. Buyers for various specialty sections seem optimistic about their success. They contend that the majority of their patrons are connoisseurs who know exactly what they want and expect extra service; thus, they feel that these customers could not be attracted to supermarkets with their limited variety and service.

Perhaps the most significant development in the industry has been the increased number of specialty food departments in the supermarkets today. No longer are Neiman-Marcus Riches, Charles and Company, Lord and Taylor, and other specialty stores the main

²⁶Hillery, Op. Cit., P. 14.

distribution sources. The supermarket with its means of mass distribution is becoming more and more promising for the fancy food industry.

Distribution Practices

Fancy foods are distributed through many channels of distribution. Some items are bought direct from the manufacturers; other items from an importer-distributor; still other items from the wholesaler who supplies regular groceries; and others from a wagon jobber. Many stores employ all methods while some stores turn the whole operation over to a rack jobber who will service the display.

Several of the larger names in the fancy food business employ several methods of distribution. For example, Reese of California will sell direct in markets such as Los Angeles, San Francisco, New York, and employ a direct selling force in several strong regions such as the Midwest, and then fill out the rest of the country with distributors and jobbers.²⁷

Cresca has their own rack jobber operation in New York City; elsewhere they sell direct. S. S. Pierce sells direct; however, their distribution is strong in the Northeast. They also travel a few salesmen and do a mail business with some prestige type accounts elsewhere. Herz Importing does its own rack jobbing in the New York area. These producers and importers market from over one thousand different items, as in the case of Reese, to a single item such as chutney.

²⁷Observations on the Fancy Food Business, Op. Cit., pp. 7-8.

There is no set pattern in distribution; however, it is the consensus of many that the most efficient method is through a rack jobber since the servicing and ordering at the individual store level is of paramount importance. The importance of a local retail store level servicing operation cannot be overemphasized since fancy foods are generally not a part of the regular central warehousing and ordering operation of chains; and if out-of-stock conditions are not called to the store's attention, there is little chance for automatic reordering.

The prevailing margins for fancy foods vary somewhat. However, it is possible to assume that a wholesale jobbing operation on this low turnover merchandise requires a 20% to 25% margin for the jobber. The importer generally will work on about 15%, while the broker looks for about a 10% brokerage, and the retailer expects approximately 30%.²⁸

Although it is felt that rack jobbing is the most efficient way to distribute fancy foods, the retail survey by Progressive Grocer reveals that most stores do not purchase a large percentage of their fancy foods from these sources.²⁹ Instead, the bulk of such purchasing follows the pattern listed:

²⁸ Ibid., p. 9.

²⁹ Progressive Grocer Industry Survey, Op. Cit.

<u>% Purchased From</u>	<u>Separate Department</u>	<u>Integrated Dept.</u>
Rack	8.0%	11.0%
Wholesaler	34.0	64.0
Manufacturer	48.0	20.0
Other	10.0	5.0

From the survey by General Foods, nearly half of the 95 buying offices reported that they confined their purchases to a single source, while thirty-five made use of two suppliers. The remainder divided their business among three or four different sources. Most often mentioned as major suppliers were the manufacturer and the wholesaler, with the broker, importer, and again, the manufacturer turning up as common supplementary sources of supply.³⁰ This same breakdown was generally evident in the buying offices with separate fancy food sections.

The predominant practice in handling re-orders appears to be through the salesman himself, mail being the next most common method found in the survey. In the majority of cases, respondents stated that they retain the responsibility for servicing their own shelves rather than receive this service from the supplier. When the comments on this survey were compiled, it was evident that the practice of purchasing fancy foods in less than case lots again appears to be common, though not universal.

It was found from the survey that most of the retailer gross margins maintained on the fancy food lines fell between thirty-five and

³⁰Fancy Food Facts A Survey of Fancy Food Buyers in Supermarkets, Op. Cit., p. 6.

forty per cent, although the reported figures ranged from a low of twenty-five per cent to a high of over forty per cent. Again, the indications are that practices within the field vary appreciably.³¹

Fancy Foods In the Supermarket

Some observers believe that specialty or party foods will eventually approach the stature of frozen foods as a leading segment of the supermarket operation. This development has had a disquieting effect upon the other retailers of specialty items -- gourmet shops and gourmet departments of large department stores.

The specialty food stores necessarily must use modern merchandising methods to their fullest extent in order to hold their own against the supermarkets' interest in the fancy food field. The specialty stores in recent years have found it necessary to increase services and even to reduce prices or discontinue certain items which were stocked by competing supermarkets and sold at lower prices. This danger to the price structure is the industry's principal concern and, for this reason, many importers and wholesalers have agreed not to sell the supermarkets. In some cases, even department stores such as R. H. Macy's, which can operate profitably at a smaller margin and thereby cut prices, must sign fair trade agreements.

At this point, it might be appropriate to discuss some of the reasons for stocking fancy foods from the supermarkets' point of view. These motives are, in most instances, equally applicable to department stores, and in a lesser degree, to gourmet shops.

³¹ Ibid.

First, the specialty food section adds completeness to the market. With the increased emphasis on one-stop shopping, supermarkets have gone in for dry goods, drugs and cosmetics, appliances, etc. In effect, a fancy foods section completes the cycle on groceries. After all, these markets are basically food stores.

A fancy food section attracts and maintains those customers who can afford quantity buying of staples. A lady seeking a bottle of chutney might be financially able to buy a case of peaches or six cans of peas. Also, if she cannot purchase her chutney at one grocery store, she is apt to switch to stores where she will buy that and all her other food besides.³²

Supermarkets today are in the midst of a fierce competitive war. Virtually every food chain has added new services, such as stamps or register tape offers. Loss leaders and predatory loss leaders are becoming more prevalent each week. More supermarket managers now welcome the once annoying and inconsequential food specialties salesman. This expanding line of merchandise adds prestige and distinctiveness to the supermarket. In effect, the food retailer is saying, "I am offering to you, the discriminating shopper, premium foods to satisfy your good taste."

Another argument for a fancy food section in the supermarket is its advertising value to the store. A hostess, entertaining friends, might mention where she purchased her well-liked party specialty.

³²"Unusual Sales For Unusual Foods", Weekly Digest (August 25, 1956), p. 10.

The high markup on fancy foods seems to be the most common reason for grocery stores to stock them. While there is a good per item markup on party foods but a relatively slow turnover, retailers should be careful not to price them completely out of the reach of their average customer. The final selection of any line of specialty items should depend upon the income level of the particular trading area.

Operators of various supermarkets throughout the country have voiced their opinions of how fancy foods benefit their stores:

The operator of an \$800,000 per year store in Pennsylvania remarked that "When you carry fancy foods you get a reputation for carrying the best in everything."

Another, the owner of an Iowa store grossing \$1,700,000 annually, pointed out that even though not all customers buy fancy foods, they do feel that our store is a place of variety and distinction -- and we feel that it is an asset to our business.³³

The aura of romance is also an intangible thing. But anyone who has watched the fancy food shopper in action knows she is profoundly interested in the merchandise. This interest is reflected favorably on the store as a whole because her shopping trip has become more of an adventure. "In short, the fancy food section provides an exciting experience to the shopper. Adding this element is sure to be reflected in a more profitable over-all operation."³⁴

³³Snyder, Op. Cit., pp. 149-150.

³⁴Ibid.

The higher income groups spend more money on impulse items that carry higher profits, and more fancy foods customers are in the middle and upper income brackets; and the more of this class of trade a store gets, the better.

From the General Foods' Survey of Fancy Food Buyers in Supermarkets, there are some interesting charts I have included in the following pages: Table I - Most Important Reason for Carrying Fancy Food Lines. This table shows that the main reasons respondents gave was demand, followed closely by wide selection-variety-added attraction. Prestige was a close third with profit listed next. Service to the customer was the fourth most mentioned reason.

Table II shows the Basis For Deciding That An Item is To Be Carried in a Fancy Foods Section. The three reasons most mentioned here were: 1. Uniqueness, 2. Demand, and 3. Price - in that order.

Table III from the Survey is The Two Most Important Factors Given Which Determine That A Store Should Carry A Separate Fancy Food Section. The consensus of opinion here was, for customer-oriented comments: high class clientele and for store-oriented comments: volume of business and size of store.

Table IV from the Survey is from respondents in supermarkets who have separate fancy food sections. This table is the Name Usually Used for Fancy Foods Sections in Stores.

Table V is the Size of Fancy Food Display Space. Here we find the average size of the respondent's display space to be around fifty square feet.

Most Important Reason for Carrying Fancy Food Lines

	<u>Total</u>
ALL RESPONDENTS	95
<u>Reasons</u>	<u>Number</u>
Demand, more people are buying	35
Wide selection, variety of foods, complete food line, added attraction	30
Prestige	21
Profit	18
Service for a few customers who buy, cater to customer who is interested in fancy foods	15
Attract better type of customer	6
To carry items that competition doesn't stock	4
To meet competition of other stores	3
High mark-up	2
Locality of store	1
During holidays	1
Give store opportunity to use space, difficult to merchandise	1
Elimination of unnecessary duplications	1
Miscellaneous	2
No report	<u>--3</u>
Because of multiple mentions, column adds to:	143

Basis For Deciding That An Item is To
Be Carried in a Fancy Foods Section

	<u>Total</u>
ALL RESPONDENTS WHO HAVE SEPARATE FANCY FOOD SECTIONS	77
<u>Basis for Deciding</u>	<u>Number</u>
Specialty, uniqueness, special occasion item	25
Demand, volume of item, turnover	17
Price, retail price	15
Limited turnover, low volume	9
High quality, premium merchandise, type of product	7
Recommended by jobber, distributor	6
Profit, per cent of profit, mark-up	5
Manager of store, store manager	5
High income level customer, appeals to upper income customers	3
Miscellaneous	13
No report	4

The Two Most Important Factors Given Which Determine
That A Store Should Carry A Separate Fancy Food Section

	<u>Total Mentions</u>	<u>Most Important</u>	<u>Second Most Important</u>	<u>Ranked by Total Mentions</u>
ALL RESPONDENTS	95			
<u>CUSTOMER-ORIENTED COMMENTS</u>				
<u>High Class Clientele</u>				
Location, type of clientele, income of customers areas of more entertainment, meeting area competition	75	42	33	1
<u>Customer Service</u>				
Catering to customers, every market should have a complete line of all food items, service offered by store	16	7	9	4
<u>Impulse Builder</u>	1	-	1	-
<u>Convenience to Customer</u>	5	1	4	7
<u>STORE-ORIENTED COMMENTS</u>				
<u>Volume of Business</u>				
Demand, turnover	30	20	10	2
<u>Profit</u>	9	2	7	5
<u>Prestige</u>	9	3	6	5
<u>Convenience to Store</u>				
Supervision of section, convenience in stocking, convenient for salesmen to service	4	2	2	9
<u>Size of Store</u>	29	9	20	3
<u>Miscellaneous</u>	5	3	2	8
<u>Don't Know, No report</u>	19	3	16	-

Name Usually Used for Fancy Foods
Sections in Stores

	<u>Total</u>
ALL RESPONDENTS WHO HAVE SEPARATE FANCY FOOD SECTIONS	77

<u>Name Usually Used</u>	<u>Number</u>
Fancy Foods	32
Gourmet	20
Party Foods	19
Snacks	1
Hostess Pantry	1
Hospitality Bar	1
Party Items	1
Miscellaneous	4
No specific name, not designated	5
No report	2

Size of Fancy Food Display Space

		<u>Total</u>
ALL RESPONDENTS WHO HAVE SEPARATE FANCY FOOD SECTIONS		77
<u>Size</u>		<u>Number</u>
<u>Linear Feet</u>		
10 feet or shorter		7
11 -- 20 feet		7
21 -- 30 feet		10
31 -- 40 feet		8
41 -- 50 feet		8
51 -- 60 feet		3
61 -- 80 feet		5
81 -- 100 feet		2
101 -- 200 feet		9
201 -- feet or longer		2
Don't know		1
No report		15
<u>Square Feet</u>		
25 square feet or less		7
26 -- 50 square feet		13
51-75		6
76-100		4
101-125		-
126-150		4
151-175		1
176-200		1
201-500		3
501 square feet or more		3
Don't know		6
No report		29

Profitability of Fancy Foods

Fancy foods carry a far higher per cent margin than the average grocery item -- thirty to forty per cent as compared to the grocery average of nineteen per cent.³⁵

Some operators shy away because they believe that low turn-over makes this high markup item less desirable. First of all, an average, well-run, well-merchandised fancy food section should run around .5 per cent of a store's volume. This is the near equivalent or better than many better known grocery sections. As compared with these sections, using Super Valu Study figures, for per cent of total store volume: canned prepared foods, .41%; desserts, .54%; condiments and sauces, .56%; and canned meats, .41%.³⁶

Fancy foods also show very well when compared on other bases too. For example: A \$40,000 a week supermarket has a year-round average of \$200 a week in fancy foods, displayed in five gondola shelves in twenty linear floor feet. This means the department grosses ten dollars in sales per linear floor foot, which is one-third less than the \$15.88 figure for the grocery department as a whole, according to the Super Valu Study. It nears other such major and profitable categories as crackers and cookies, \$11.85; paper products, \$11.63; breakfast foods, \$11.31.

It is found that the fancy foods category does well in comparison with the top ten categories in terms of dollar margin per linear foot and does better than many other long-established profitable

³⁵ ibid., p. 150.

³⁶ ibid., p. 151.

departments. These figures are based on dollar gross margin without consideration of net profit. But it should be noted that fancy foods require far less stocking and labor time than practically any non-jobber department in the store because of their slow turnover.

Prices and Pricing

When speaking of price of fancy food items there immediately is established an image of high price. Although the price on fancy foods is and should be premium, a breakdown of typical average small fancy foods department shows eighty-four per cent of the items sell for less than eighty cents.³⁷

Progressive Grocer made a breakdown of an "average" small fancy food section located in a suburban store of only 4,000 square feet selling area which revealed 111 items totalling 1,580 units had an average price of 49 cents and a total retail of \$770.16.³⁸

This section breakdown is as follows:

<u>Unit Retail</u>	<u>Total</u>	<u>Items</u>	<u>Total</u>	<u>Units</u>
		<u>Per Cent</u>		<u>Per Cent</u>
Under 39¢	20	18.0	501	31.7
39¢---58¢	38	34.2	645	40.8
59¢---79¢	35	31.6	292	18.5
80¢---98¢	12	10.8	92	5.8
99¢--\$1.38	1	.9	12	.8
\$1.39-Over	5	4.5	38	2.4
TOTAL	111	100.0%	1580	100.0%

³⁷ibid., p. 154.

³⁸Observations On The Fancy Foods Business, Op. Cit., p. 6.

A breakdown was also made of a "typical" medium fancy food section which revealed a higher number of units in the over-59¢ price categories.³⁹ This store of 12,000 square feet selling space carried 152 items totalling 1,940 units at an average price of 59 cents or a total retail of \$1,142.05. This section breakdown is as follows:

<u>Unit Retail</u>	<u>Total</u>	<u>Items</u>		<u>Units</u>	
		<u>Per Cent</u>	<u>Total</u>	<u>Per Cent</u>	
Under 39¢	14	9.2	251	12.9	
39¢---58¢	53	34.9	668	44.7	
59¢---79¢	53	34.9	505	26.1	
80¢---98¢	22	14.4	233	12.0	
99¢--\$1.38	5	3.3	39	2.0	
\$1.39--Over	5	3.3	44	2.3	
TOTAL	152	100.0%	1940	100.0%	

On low-turnover merchandise, stores expect to get a maintained markup of about 33 per cent. It is common practice to grant cash terms of 1 per cent, 10 days. In most cases shipments are F.O.B. store; however, many of the importers and manufacturers of specialty items sell F.O.B. their city. It is quite possible that these terms are negotiable depending on the order.⁴⁰

Sales promotional advertising and case allowances are not a general practice in the fancy food business. There have been little or no retail price reductions from suggested retail price schedules,

³⁹Ibid., p. 6-7.

⁴⁰Ibid., pp. 9-10.

as most stores feel specials will not necessarily move large quantities of merchandise the way staple goods reductions do.

There is little back room merchandise and no central warehousing. The total inventory is usually on the shelf. Therefore, many manufacturers and wholesalers make broken case shipments. The cost on broken cases is usually higher than on full case shipments.

How Large Should the Department Be

An average of one-hundred and forty-two different items are carried in the fancy food line, occupying thirteen and one-half feet of space on three and one-tenth shelves.⁴¹ This might seem like a lot of items for such a small department; the fancy foods usually have one or two facings and are displayed on shallow shelves. This allows flexibility and easy rotation. Many jobbers sell these products in broken case lots which enables the store to order small quantities as needed and keeps inventories at a minimum.

The actual size of the section should vary with the supermarket's anticipated volume, profit and size of the selling area. A minimum section, regardless of the size of the store, should contain sixty to eighty items or an area of 3 to 6 linear floor feet, with 6 shelves. A large-sized fancy food section is one stocking between 150 and 350 items.⁴²

Most sources of information on fancy foods tend to agree that the fancy foods department should be recognizable as a department,

⁴¹"National Survey Shows Fancy Foods Solid Success", Op. Cit., p. 194.

⁴²"Handbook on Fancy Foods", Op. Cit., p. 19.

regardless of the size. This follows that certain minimums of items and space would be necessary, although not necessarily the same in every size store. Sections located above frozen foods would require more linear footage normally than the minimum section.⁴³

Fancy foods can be given too much space, particularly when a store has an intensive line-up of frozen food cases and when the canopy shelving has to be filled.

Where the different items should go and the number of facings per item are hard questions to answer because of the different types of shelving used for display. Some principals are generally agreed upon:⁴⁴

1. Think in terms of categories. Put together cocktail mixes and items for preparing cocktails, salad preparations like olive oil, vinegar, salad dressings; the various fruits, snack tidbits like twists, nuts, snaps.
2. Large or bulky items such as biscuits, large sizes of tidbits, cookies should go on the bottom shelves and/or deeper shelves. Tall items, like prepared mixes may go on a high shelf when lower shelves are too close together.
3. Narrow items like cocktail onions, pickles and olives should have two facings; most items should have only one to give the section a look of great variety.

⁴³Glenn Snyder, "Sharpen Your Merchandising Skill for Fancy Food Success", Progressive Grocer, Vol. 38, No. 3 (March 1959), p. 186.

⁴⁴Ibid., p. 187.

4. Be flexible enough to take an item out of its particular category occasionally and display with a related item.

Example: bread sticks or flat breads with spreads.

5. Small items should be in the shelf locations easiest to reach.

In setting up a fancy food section it may be necessary to change, add or drop items as the operator becomes familiar with the operation of the fancy food department.

Where Should The Department Be Located

"The section need not be large to be impressive, but should be located in a high-traffic spot."⁴⁵

Retailers disagree in their reasoning concerning having a separate department for fancy foods, or having it integrated with regular merchandise. Some of the reasons expressed for and against each way of setting up the department are as follows:

For a separate fancy food department:

1. it catches the eye;
2. lends prestige to the store;
3. creates word-of-mouth advertising;
4. customers know everything is in one place;
5. has greater merchandising possibilities;
6. interesting, separate display more likely to get consumers to try the selections.

⁴⁵"Special Merchandising Sells Fancy Foods", Chain Store Age, Vol. 35, No. 4 (April 1959), p. 86.

Some reasons against a separate fancy food department:

1. it requires too much attention, stocking, etc., from the store's personnel;
2. customers would be exposed more often in regular shopping tours of the whole store;
3. it removes the impression of "special" foods -- makes them just unusual staples.⁴⁶

Some of the possibilities for locating the department are:

specially built; over Deli-counter; over frozen food cabinet; wall shelving; separate gondola; inside gondola; gondola end display. The respondents from the General Foods Survey indicated that the most common practice was locating the fancy food section over the frozen food cabinet.⁴⁷

These different types of fixtures used to display fancy food items have each proven successful for some operator. The separate gondola can be used very successfully because it can be dressed up to draw attention to it more easily than can some of the other fixtures, such as over frozen foods.

Gondola ends can work well when space is crowded or when setting up a new department in an existing store.

Inside gondola position has some advantages. This area gets the benefit of the regular flow of traffic and it can also be placed in relation to other party or impulse items.

The more common practice of locating the fancy foods over frozen foods generally is a convenience to the store, and gondola

⁴⁶ Morris, Op. Cit., p. 106.

⁴⁷ Fancy Food Facts A Survey of Fancy Food Buyers in Supermarkets, Op. Cit., Table 14.

space can be used at times to a better advantage for other items. Some of the new style frozen food cases are built with display space on top and can be used very nicely for the display of fancy foods. Some operators believe that the fancy food section is too spread out when it is over the frozen food section. But it is generally agreed that the most effective merchandising can be done in a store with a separate section. Its advantages include easier stocking, and it is more likely to catch the customer's eye.

A section located in a very high traffic area is bad because the potential fancy food customer as well as the regular customer likes to browse through these food items. A remote section of the store should be avoided because of possible pilferage and essentially because of the objective of the store, which is to obtain the best possible sales.

From the General Foods Survey of Fancy Food Buyers it was found that forty per cent of the stores (served by seventy-seven buying offices) maintain separate fancy food sections. About thirty per cent of the stores (served by fifty-seven buying offices) have fancy foods integrated into the regular grocery departments, while the balance combine both separate and integrated sections in their method of operation. About thirty per cent of the stores (served by forty-three buying offices) reported that they do not carry fancy foods.

From the survey, stores with separate fancy food sections show no uniformity in how or where their fancy food section is located. Responses to this question show that the most popular display space, over the frozen food cabinets, is followed by separate gondola and inside gondola being the next most frequently mentioned fixtures.

The pattern of location within the stores themselves is about evenly divided between early, midway, and late in the shopping tour, indicating there is little agreement among the respondents as to the best position for displaying fancy foods.

The respondents to the survey indicated how the size of display space varied with each store, all the way from ten linear feet to over two hundred linear feet. The majority of displays tended to be less than fifty linear feet, while the most common total area devoted to the fancy food line ranged from less than twenty-five square feet to one hundred square feet.⁴⁸

The Display of Fancy Foods

The proven method to increase sales of merchandise is to display it prominently. With fancy foods this is very important because they are high impulse items and they must be placed to draw attention. Giving fancy foods a good, high traffic display impresses the customer that the store carries quality foods, and the impression should carry to other departments in the store.

A great selling point of a fancy food product is that while it is a normal, edible product, it cannot be classed among household needs. It is a product to which Mrs. Consumer's attention must be drawn. This is achieved in part by distinctive packaging -- but no amount of time and effort given to the packaging of fancy foods is

⁴⁸Ibid., p. 5.

going to sell them from a dusty shelf, out of a high traffic area, or from a poorly maintained display.⁴⁹

For a better insight into merchandising techniques, as related to display and space occupied, it is interesting to examine several actual cases and to note the results of their efforts in this area.

Fred Becker, merchandising director of the Garden Market Chain, has the philosophy that gourmet foods should be displayed prominently, because they are high-impulse buys, and also because of the prestige they add to a store. If the store shows that they are proud to carry these foods, he feels that customers will feel proud to buy them. His philosophy has paid off. In the Garden Market store, located on New York City's famous Broadway -- about 50 blocks from Times Square -- fancy foods account for almost 3 per cent of grocery sales, or 2 per cent of total sales. Naturally, the location of the store is a great asset. As for the income in the area, it is mixed -- from very high to very low. Many of the customers are foreign born or one generation removed.

The store is two years old, with 6500 square feet of selling floor and six check-outs. Fancy foods are displayed by means of three gondola ends and a shelf above a 12 foot refrigerated cabinet. This store does have an advantage from the standpoint of repetition and nature of its trade, but it makes good use of the potential and plays it up. The main emphasis is on prominent and attractive display.

⁴⁹"National Survey Shows Fancy Foods Solid Success", Op. Cit., p. 194.

No advertising is done, nor is any special promotion used; in view of the high traffic density, none is needed.⁵⁰

"A pleasant surprise", says store manager Joe Depasquale, talking about his new fancy foods department in his Mayfair store in Metuchen, New Jersey.

The store, at the time of purchase last year, did not have a specialties department. It was decided to give the specialties a try in this medium to high income neighborhood.

The first sales results show an excellent return, particularly in view of the after-holidays period in which the section was introduced. Stocked in a supplier-furnished and service rack, the \$962.30 (retail value) opening inventory produced sales of \$191.96 in the nine shopping days from January 25 to February 3, 1960. At a margin of 30 per cent, that yielded \$57.58 in gross profit, which is more than the manager expected for his opening sales.

The Mayfair store used a 6-foot island unit for displaying fancy foods. The display was placed in what was formerly aisle area, and is set near candy, beverages and snacks. The opening inventory carried 215 items. The store does not use price tickets for the fancy food section for two reasons: first, to save work and having youngsters remove them; and second, and most important, the elimination of price tickets has been found a psychological stimulant to sales. "Without tickets, the merchandise almost dares curious

⁵⁰"Importance of Prominent Display Stressed in Fancy Foods Success", Progressive Grocer, Vol. 37, No. 11 (November 1958), pp. 183-4.

customers to pick them up", replied the store manager.⁵¹

In Red Bank, New Jersey, the Mayfair Market Store devotes 100 linear feet of shelving to fancy foods. This store is in a medium to high income area and averages \$300 per week from its fancy foods. The display is located near the end of traffic flow, facing the check-out counters -- near the liquor section. Occupying the same gondola are other party items, such as potato chips, pretzels, etc.⁵² This close association makes a well-planned tie-in.

The Safeway Store in Red Bank makes the tie-in to wines and liquors more obvious. Their fancy foods are located on a gondola with 9 feet of shelving facing the liquor section. The gourmet items are surrounded by wines. In this case, the liquor clerk is assigned to watch over the gourmet section.⁵³

It appears that the way the fancy food display is treated depends on the individual store rather than on any cut-and-dried rule of merchandising.

Drawing Attention to Displays

Fancy foods should be backed with some consistent merchandising and promotional support. A good promotion can get a fancy foods department off to a good start. After that, enough promotion to keep the department in the limelight is necessary.

⁵¹"Trial Run Successful As Fancy Foods Prove Worth", Progressive Grocer, (April 1960), pp. 169-70.

⁵²"Fancy Foods Profitable Service Feature", Progressive Grocer, (November 1959), p. 186.

⁵³Ibid

Foreign representatives of manufacturers of "nationality foods" can be tied in with fancy foods, many of which come from foreign lands. Window display materials are available from importers on a loan basis or for a slight charge. Other materials are available for the asking from importers and jobbers.⁵⁴

Identification signs, spotlights, posters, globes, and miniature flags of many nations are some of the props used to add glamour and draw attention to a fancy foods department.

Identifying signs are especially important in fancy food sections located above the frozen food cabinets. Milgrams #20, in Kansas City, takes care of this problem by suspending its Gourmet Foods sign from the ceiling and pointing to the department.⁵⁵

Rotation and Pricing of Fancy Foods

The fancy food department has a slow turnover. The shelf life of these foods is long because of this, and rotation should be put into effect. Some stores have turned to the coding of gourmet merchandise to help in rotation. This can be done easily with price markets, equipped with a coding apparatus.

The pricing is an important aspect in the fancy food section because the check-out person is not as familiar with prices on this line of foods and might easily mistake a price not easily readable -- against the store's advantage.⁵⁶

⁵⁴"Fancy Food Roundup", Progressive Grocer, Vol. 38, No. 4 (April 1959), p. 205.

⁵⁵"Importance of Signs Stressed", Progressive Grocer (April 1960), p. 170.

⁵⁶James N. Kendall, "Gourmet Foods and How to Sell Them", IGA Grocergram (August 1959), p. 44.

Special Attention and Cleaning of The Fancy Food Department

Having someone responsible for a daily facing and dusting of fancy foods shelving is important to keep merchandise neat and clean despite low turnover rate of these items. Items that appear dusty will reduce their appeal and consequently reduce sales.

To make the fancy food department one of the most colorful and eyecatching in the store, it is necessary when arranging the items to alternate colors to provide a sharp contrast; split up items to take advantage of the various shapes and sizes of the many products in the department.⁵⁷

Distributors' Problems in Servicing Supermarkets

More supermarket executives are becoming aware of the advantages in handling fancy foods. In the last few years they have initiated a powerful movement toward greater emphasis on these foods in supermarkets. Whereas many specialty food distributors have taken a "head in the sand" attitude, the more astute businessman has recognized this trend and taken advantage of it. These men have developed a selection of fancy foods geared specifically to the supermarket's needs.

There are various problems which arise when a distributor sells fancy foods to supermarkets. A major problem, of course, is finding suitable specialty items. New and unusual items must be procured to replace those which are no longer demanded by the fickle public. Some of the importing company officials tour Europe and other

⁵⁷Ibid.

foreign countries each year to visit manufacturers, and food and department stores there for the purpose of finding new ideas. Suppliers can also get ideas from competitors' catalogues. Many find new products and ideas at the annual fancy food exhibits.

Once an interesting item is discovered, it must be evaluated in terms of the American market. The importer faces a particularly trying problem when attempting to determine the saleability of a proposed item -- that of the product package. As foreign tastes differ, so do their packages. Retail businesses in other nations are traditionally conducted on a service basis, as opposed to the American innovation of self-service. Consequently, the European package need not carry a selling message. For example, the Englishman requesting a tin of biscuits will be sold by the service clerk rather than the package. Accordingly, the contents of many containers are not identified on the label.

In a self-service operation, many impulse sales would be lost since the package conveys no selling message. Along these lines, the package might be well-conceived for a self-service operation but printed in a foreign language. The supermarket customer might be unsure of the product and would probably by-pass it. Dimensions of the package must also be considered. The product may have excellent market potential but an extremely bulky package would be rejected by most managers. Their thinking would conceivably be that two or three other items could be displayed in the same space consumed by this large package. In these cases, a distributor must sell the manufacturer on the idea of spending extra dollars to redesign his package. To be effective, he must gain the confidence and respect of the manufacturer.

Accordingly, he must exercise careful judgment and make sound decisions. When a foreign manufacturer gambles with a distributor and loses, he becomes reluctant to transact any repeat business with him.

Price too is an important factor in determining the acceptability of a new product for the supermarket trade. In a market catering to the middle income group, the retail price of any fancy food item should rarely exceed 89 cents. In this manner, the specialty section in the supermarket would appeal to as wide a class of consumers as possible. The budget-minded shopper can now indulge in "luxury buying" for only pennies. This novel concept of merchandising specialty foods for mass acceptance may eventually remove these items from the fine food category. This emphasis on mass appeal has also affected the type of fancy foods stocked in the supermarket. The general consensus is that to achieve popular acceptance and increase turnover by charging lower prices, the supermarket operator should carry a wide selection of cocktail items. An often heard phrase in the industry claims that "whatever goes with cocktail items, goes".

Any supplier dealing with supermarkets must provide service, convenience and merchandising aid. When he can no longer perform any of these functions, he will find himself losing his accounts. The distributor must develop a sales force capable of servicing supermarkets on a regular basis. These men should check the display and pricing of the specialty food section.

Most distributors prefer a separate fancy food section, located in a well-trafficked area for the following reasons:

1. The shopper does not find it necessary to search through many varied items to pick up her specialty favorites.

2. Higher priced food specialties suffer when sitting beside a staple of the same category. For instance, 12 cent mustards and 27 cent catsup will make any customer price-conscious when reaching for a \$2.00 bottle of chutney or an expensive jar of french champagne mustard.
3. A customer who enjoys a certain fancy food will be more apt to buy on impulse at the special section.
4. From the regular shelves, the retailer expects faster turnover to earn the allotted space. On the fancy foods counter, the retailer takes a larger markup and regards the sales as "plus".

By providing this service and know-how, the supplier hopes to make it unprofitable for the supermarkets to warehouse specialty foods. According to many leaders in the fancy food industry, the sales of specialty items suffer when a supermarket chain begins to warehouse. Consequently, suppliers hope that by conscientiously maintaining service and convenience, and by supplying a line of fancy foods ideally suited to supermarkets, they will guarantee their present status of fancy food suppliers to these chains.

Future Emphasis on Fancy Foods

When asked to project their plans regarding future emphasis on fancy foods, for the General Foods Survey, a third of the respondents said that they would increase this emphasis, with over half of the respondents contemplating no change. Eight of the buying offices planned to decrease the selling effort on fancy foods. Those who

planned increased emphasis on fancy foods centered their reasons on greater profit made available by the growing business and heavier public demand. Declining sales and poor turnover turned up most often for those planning to cut down their promotional effort on the line. The majority of the buying offices contemplated no change, apparently feeling that the limited volume and low current demand do not warrant additional effort at this time.

Shown on the following pages are the survey results:

Plans for Future Emphasis on Fancy Food Line

	<u>Total</u>
All Respondents	95
<u>Change of Emphasis:</u>	<u>Number</u>
Yes -- will increase	31
Yes -- will decrease	8
No --- will continue as is	54
No report	2

Plans for Future Emphasis on Fancy Food Line
by Geographical Region

	<u>Total</u>	<u>Eastern</u>	<u>Southern</u>	<u>Central</u>	<u>Western</u>
All Respondents	95	27	18	30	20
<u>Change of Emphasis:</u>					
Yes -- will increase	31	12	7	6	6
Yes -- will decrease	8	1	1	3	3
No --- will continue as is	54	13	10	20	11
No report	2	1		1	

Reasons for Which Buying Offices Plan to
Increase Emphasis on Fancy Foods

	<u>Total</u>
All Respondents who plan to increase emphasis	31
<u>Reasons:</u>	<u>Number</u>
Will provide increased profit	14
Growing business, public demand is growing	13
Higher income	5
Satisfy our customers	5
Prestige	2
If specialty work is done by manufacturer's representative	2
We always try to increase	1
With proper promotion, you will get volume	1
If sale of product is guaranteed	1
New stores will furnish adequate room	1
No report	1

Reasons for Which Buying Offices Plan to
Decrease Emphasis on Fancy Foods

	<u>Total</u>
All Respondents who plan to Decrease Emphasis	8
<u>Reasons:</u>	<u>Number</u>
Sales have declined, poor turnover	4
Lack of space, limited store space	1
Duplication	1
Not profitable for space needed	1
Lack of profit, not enough of dollar volume	1
Many of the fancy foods not specialty	1
No report	1

Reasons for Which Buying Offices Contemplate
No Change in Emphasis on Fancy Foods

	<u>Total</u>
All Respondents who do not plan to change emphasis	54
<u>Reasons:</u>	<u>Number</u>
Limited demand, volume does not warrant	25
Lack of space	5
Service to our customers, satisfaction	5
No great potential -- amount of business okay	4
No plans at present for making any changes	4
Satisfied with space allotment	4
Education of people for fancy foods	2
Satisfied with present sales	2
Problem for returns	2
Doesn't seem to fit into supermarket operation	1
Satisfied with present location	1
Holiday business is the best	1
Until we can handle them ourselves	1
Pilferage problem	1
Prestige item	1
No report	8

Conclusion of the Market Potential of Fancy Foods

The Fancy Food Industry is a fairly new field to the trade, and the consuming public probably has not as yet exerted full buying potential, nor has the category as yet achieved the changes that are taking place in our mode of living and our taste. However, the market for fancy foods increased sharply a decade after World War II and the market is still growing.

Large scale advertising and research are not being exercised in the field of fancy foods. So at present the industry is proceeding as best it can -- feeling its way. Today's advertising, which embraces all phases of commercial communication with consumers, and all the many types of consumer "deals" and incentives has only barely touched the fancy food field as of yet.

The volume potential for specialty foods is not encouraging at this time because the field does not as yet have sufficient mass appeal. Generally speaking, the field does not have the necessary turnover and volume for the grocery business, but it is still only in its infancy in the supermarket. It appears that it will take many years of educating the consumer to the use of fancy foods before mass appeal is reached.

Today, conflicting philosophies have developed. One states that specialty foods belong in the gourmet shop and in the delicacy sections of department stores. The new concept is that these foods have a definite place in the modern supermarket. At present, both philosophies seem irreconcilable and have created a definite split in the specialty food industry.

Consumer resistance to rising costs, the constant stream of new products and variations of existing products seeking a market --

leads to what aptly has been described as "a jungle battle for shelf space in stores and supermarkets". The shelf space in the supermarket is usually too valuable for this slow-moving line of foods.

The supermarket trade appears to be generally optimistic about the future of fancy foods, although they seem to have very little accurate knowledge of this business, even as it exists within their own stores. Supermarkets generally carry fancy foods to provide this service to clientele that could afford to buy it. They carry a particular line of these delicacies because of demand and they prefer a line offering a wide variety and selection of foods.

The profit potential always interests the trade; yet apparently, turnover and volume are not considered strongly enough. The "impulse appeal" penetrates the manager's instinct to "gamble for profit", and the idea of a "prestige building" line influences them also.

With some of these "highlights of the fancy food field" in mind, it would not take even an expert salesman to "sell" this line of goods to the supermarkets. Yet the supermarket thrives on mass appeal and perhaps never will many fancy food items obtain this.

Whether a store should stock fancy foods depends greatly upon the size and layout of its present facilities. If the store has not "plus" room after sufficient space is allotted for more desirable staple items, it would not be advisable to stock fancy foods (unless this store is located in a high income bracket area, in or near a metropolitan city and there is market potential for these specialties).

However, the increased use of these specialty items in supermarkets seems almost a certainty with party items heading the list as having the best potential for future emphasis.

CHAPTER II

GENERAL FOODS GOURMET LINE

Objectives for Introduction Into the Fancy Food Field

The basic objectives of General Foods' line of Gourmet Foods were established a full year before the line was introduced just following the Fancy Food Show in August 1957. Initial distribution was established in the country's top department stores within a few days.

There were three basic objectives for the Gourmet Foods line. The first and most important objective was to build the Corporate image.⁵⁸ The principle exemplified here may be compared to the Ford Motor Company and their Thunderbird car; or the Corning Glass Company and Steuben glassware. These companies have been successful in associating themselves in the public mind with superior products which are the most choice to be had of their kinds.

These associations helped establish an image of recognized leadership. When a committee of General Foods executives jelled the idea of a Gourmet Line⁵⁹ -- it was this principle of association they had in mind. It led to the thought of applying the principle to build General Foods' image as "the makers of the world's finest specialty

⁵⁸General Foods, Gourmet Foods - Past, Present, Future
Management Presentation. Op. Cit., p. 1.

⁵⁹"From the Four Corners of the Earth", GF News, Vol. 18, No. 5 (September 1957), p. 4.

foods" -- a complete product line of gourmet foods, the best foods of their kinds available anywhere. "From the four corners of the earth are coming the world's finest specialties for General Foods Gourmet Foods. This new General Foods brand, with its 55 items, will be the most complete line of fine foods ever put on the market."

The second objective was to help identify products which might have mass distribution potential.⁶⁰ Management hoped to uncover new products suitable for mass distribution. In that case, the item would become part of a General Foods line sold through regular grocery outlets.

The third objective was to eventually turn up a modest profit.⁶¹ It was hoped that the Gourmet line would in time contribute to General Foods' earnings, although they believe that the field of fancy foods will always be a small business.

This "super" specialty line is a natural outgrowth of General Foods' role as the leading maker of quality convenience foods. The brand name, General Foods Gourmet Foods, gave a double play to the General Foods symbol. It should establish even more firmly in the public mind the association of General Foods and quality. In a way, "Gourmet Foods will be ambassadors for all General Foods brands."⁶²

The three basic objectives listed here were the original objectives, and their order of importance was listed.

⁶⁰Ibid.

⁶¹Ibid.

⁶²J. B. Starke, General Manager, Gourmet Foods, General Foods, September 1957.

This is no longer true. Perhaps it can be pointed out that Gourmet was originally viewed as a replacement for a Corporate advertising program designed to give a face to the Corporation -- to provide the Corporation with an image of the manufacturer of the world's finest foods.

Specifications for the Product which were to meet the Objectives

The specifications were to be the finest available without regard to cost. They were to be demonstrably better than their regular grocery counterpart. Management sought out products in which the difference could be great; i.e., soups and preserves rather than something like peas, where the difference between the best available and the next best, of the quality brands in the grocery channels, is difficult to apprehend.

The line was designed to include products with some frequency of use. That is, coffee, preserves, soups, as opposed to the very exotic canape items or spooky items which, even though they may be the best in the world (or the most unusual), would only be selected for their novelty.

The line was developed to cover all meals -- breakfast, luncheon and dinner -- and to take part in all courses from cocktails and canapes through the entrees to dessert and beverage.

The product line was to have an international flavor -- about 50 per cent of the products are foreign in origin. This recommendation, however, was not to get in the way of producing the finest that could be had. That is; though vichyssoise was a French soup, the best available was domestic -- and the domestic was selected.

One restriction to the line was that there were to be no frozen items. The reason here was simply that it seemed too much of a task to develop two different distribution systems.

Packaging

The packages were to have a strong family resemblance. That is, they were developed to be displayed as a line and consideration of individual visibility was secondary to the development of a total mass effect; thus, the white mass with the relatively small product illustration and identification. All packages were to give prominent display to General Foods. This line is the only one that carries the Corporate name in the brand name and a requirement was to get this up big. This was another reason for the lithographed tops of the packages.

The Gourmet Foods identification device -- the compass rose -- was designed to eventually be used on other products, on letter-heads, packaging materials, etc., as a General Foods symbol.

Distribution

It was decided not to distribute this line of products through regular grocery channels, but rather through fancy specialty shops and top department stores throughout the Country. The basic reason for this decision was to help position the line as the finest in the world and to add the prestige of Neiman-Marcus and Lord & Taylor's, etc., to the name.

Very rigid requirements for purchase and display were established. Originally a full line -- 52 items -- was required by all purchasers. Products were to be displayed as a line rather than

integrated into other departments. Several high-quality fixtures offered easy installation of the whole line. These fixtures varied in size and shape, and the approximate cost of \$100 each was taken on by Gourmet.⁶³

Pricing

Pricing was literally to be no object. There was to be no compromise whatever with quality in order to meet any pricing situation. General Foods looked for and found the finest products to be had, and priced them accordingly to provide a modest gross profit. In the soup line, for example, retail price ranges from \$.90 to \$1.50 per can.

Rigid price control was maintained at retail. All outlets were given suggested retail prices and considerable pressure was brought to bear to insure that the suggested retail prices were maintained. There was to be no price promotions. There were to be no deal packs. The general attitude was that once a purchaser decided to break out of the normal grocery product price range for a given product, it was of little importance that the specialty product was even twice, three, or four times as great.

Problems Associated With Development of the Gourmet Line

The desire for better quality and finer products has been one of the driving forces of the American economy. In 1956 a group

⁶³ General Foods, *Gourmet Foods - Past, Present, Future*, Op. Cit., p. 5.

of executives found through examination of various research reports and Progressive Grocer's Survey that:

1. Almost one million Americans were driving Cadillacs.
2. In 10 years, residential swimming pools had increased from 2,500 to more than 50,000.
3. Americans were spending some 11 billion dollars for recreation and another 12 billion dollars for vacational travel each year.
4. In a single year, Americans bought 45 million dollars worth of champagne and 8 million dollars worth of caviar.
5. About 3 million American families had incomes in excess of \$10,000.⁶⁴

After the reading and discussion of such facts and figures, the executives concluded that the market opportunity looked promising.

Because of the lack of marketing information, General Foods decided to have the Maxwell House Division make its own survey analysis of the market. The available information and general data concerning the fancy foods field was generally confusing. There was confusion within the grocery trade, within the stores carrying fancy foods, and the figures found were not consistent.

During the first six months of the Gourmet project, General Foods executives traveled more than 50,000 miles in the United States. They talked with hundreds of department and specialty store fine-foods merchandisers and buyers to determine the scope of the business, to learn what important product categories were, and to learn the major merchandising problems and opportunities.

⁶⁴J. B. Starke, General Manager, Gourmet Foods, Op. Cit.

In the course of their travels, they encountered many products or items of the fancy food line. These were sent back to General Foods Kitchens for evaluation.

After they had acquainted themselves with the fancy food lines and discussed their objectives and purposes, plans for the future were formulated. The next step was a trip to Europe to select suppliers and to work out co-packaging arrangements and agreements.

This phase of the operation pointed up an unexpected problem for, with some items, this involved development of either altogether-new or improved products.

Before they made any movements in one direction or another, the criteria upon which the product would be produced was laid to insure that the results would obtain the goals. This set of criteria, as presented on the preceding pages, was to be the basis upon which the prestige of the Gourmet Foods line would be established.

Under the General Foods concept of marketing, package planning in introducing a new product line is number one consideration. Management recognizes packaging as a separate wide field in which producers and merchandisers can learn from one another.

According to General Foods procedure, the first task in creating a package is to define the problem. In producing a package adequate for the job, General Foods has developed check points which are termed "development project elements". Many of these elements bear on the merchandising phase of the product as well as the package. The check list covers:

1. Product characteristics.
2. Selection of packaging material and source of supply.
3. Production considerations.
4. Convenience factors.
5. Considerations of economy.
6. Merchandising considerations.
7. Packaging appearance.⁶⁵

The elements of the check list are covered by various departments, each of which is considered a part of the team in development of the perfect package -- or the most nearly perfect.

The Research Department investigates and tests materials and constructions of packaging materials and compiles the specifications of the product.

The Production Department considers the product from the viewpoint of the production it will require. This department, too, is concerned with the selection of package material in regard to its structural strength and workability and makes decisions as to the adequacy of present equipment and/or the need for new equipment.

General Foods Kitchens are primarily concerned with consumer acceptance, but also make recommendations as to such matters as convenience factors and package forms.

The Traffic Department considers the aspect of handling and the shipability of the product.

⁶⁵Sales Management, General Foods Corporation, June 1958, p. 52.

The Legal Department insures compliance with government regulations and handles the questions relating to the availability of brand names, trademarks, designs of the package and like matters.

The Product Group, which includes sales, merchandising and advertising executives, reports on the desirability of the new package, establishes unit sizes and selling prices, considers the channels of distribution, and handles the advertising problems.

The package purchasing program of General Foods is dependent upon three factors:

1. recognition of the importance of the package as a selling tool;
2. new manufacturing processes and techniques;
3. new developments in retail distribution concepts.

In the case of the Gourmet Foods package, the "fair" was an important factor in the merchandising plan. These packages were designed by Mrs. Josephine Von Miklos with the intention of creating a new character for the line of fine foods.

Considerable thought was given to the trademark which would help to convey these basic thoughts at a glance. The package had to be clean, for this was food, and it had to create an appetite for the food inside of it. Of course the package would have to look well on anyone's table.

A golden compass edged in black was developed and placed on the white background of the can. "Four corners of the world" was the reasoning behind the compass; and white, of course, was chosen for the color of the can because it conveys the thought of cleanliness and dining in splendor.

As a result, the package design exemplifies luxuriousness, simplicity, cleanliness, timelessness, and a product of the highest quality.

Advertising

Initial advertising for the new Gourmet line broke in September of 1957, even though distribution had only begun, in order to help establish distribution and to prove to the trade that this line, in fact, was the country's only nationally advertising line of fancy foods.⁶⁶

Initial advertising appeared in the New Yorker, Gourmet, Holiday, House & Garden, and Sunset. Later on, this list was cut to the New Yorker, Sports Illustrated and Gourmet. All advertising for the first year was full-page, four-color ads. Later it was cut to one column, black and white, in order to gain greater frequency.

Distribution Problems

Five months after distribution was begun, it was evident that there was a big problem in finding high-quality stores. There were far fewer high-quality stores in the Country than had been anticipated. (From the various material General Foods had gathered, there was an indication that there were around 6,000 high-quality, fancy food outlets in the Country. Field checking in these early months of distribution found the figure to be completely wrong -- it now appeared that there were less than 1,000 suitable high-quality outlets.)

⁶⁶ General Foods, Gourmet Foods - Past, Present, Future,
Op. Cit., p. 6.

With this fact in mind, it was obvious that the necessary volume did not exist among the fancy grocery trade within the distribution pattern as defined. It was then decided that selected owner managed, independent grocery outlets could be sold the line. It was also decided that Gourmet could add fancy liquor stores who carried fine foods. This type of store exists in some states -- some requiring that foods be sold in liquor stores.

At this time it was decided that new products could be added in an effort to gain new volume. At this time the Gourmet line now included:

Biscuits & Cookies.....	Cocktail Biscuit Assortment; Flemish Dessert Biscuits; Flemish Chocolate Biscuits; Bornholm Biscuits, Canape Cuplets
Preserves.....	Choice Strawberry; Seedless Red Raspberry; English Black Currant; Swedish Lingonberry; Wild Blueberry; Spiced Black Cherry; Seville Orange Marmalade
Soups.....	French Lobster Bisque; Vichyssoise; Green Turtle Soup-Madeira; Clear Onion Consomme-Sherry; Swedish Mushroom Bisque; Rich Oxtail; Potage St. Germain
Hors D'Oeuvres & Snacks.....	Chili Toasted Coconut; Plantain Chips; Okaki Cocktail Bits; Viking Brochettes; Marinated Artichoke Shells; Danish Cocktail Sausages; Spiced Swedish Meatballs; Scandanavian Fish Soufflettes; Numaki Spread; Dill Marinated Mushrooms; Shrimp in Dill Sauce; Bockling Pate
Entree Sauces.....	Sauce Provencale; Sauce Bigarrade; Sauce Chasseur; Sauce Espagnole; Sauce Aux Fines Herbes; Sauce Bearnaise; Sauce Bolognaise

Entree.....Rock Cornish Game Hen; Copenhagen Ham

Desserts & Sauces.....Crepes Suzette; Chocolate Sauce
Royale; Cherries Jubilee

Coffees & Teas.....Breakfast Coffee; Cafe Diable Mix;
Peak Season Assam Tea; Subtle Tea

Other Specialties.....Hearts of Palm; Champagne Mustard;
Seasoned Wheat Pilaf; Chicken Stock
Base; Beef Stock Base; Smorgasbord
Pickles; Cherry Pickles; Almond
Pickles.⁶⁷

Finally, it was decided to explore the tie-in opportunities with other department store distributed products. There were other tie-ins employed, the most important of them being with Toni-Owen fashions in which a five-page spread was purchased in Harper's Bazaar, and joint displays of Toni-Owen fashions and Gourmet Foods were erected in a number of department stores under the heading, "Because you are an entertaining woman". The purpose here, of course, was to gain greater advertising exposure through the sharing of expenses and to give the department stores an important reason to display and feature Gourmet Foods.

May 1958 Review Board Meeting

This meeting was held to review Gourmet's plans for Fiscal 1959. Some of the decisions made at this meeting were:

1. To attempt distribution of the products through super-markets in Los Angeles.
2. It was decided to drop several of the slow-moving items. Flemish Dessert Biscuits and Chocolate Biscuits were discontinued. Almond Pickles were dropped because they had seriously deteriorated in quality.

⁶⁷ "The Gourmet Line, GF News, December 1957, p. 19.

3. It was made clear that Gourmet was to do everything possible (except reduce quality) to reduce its losses and obtain a break-even position.

Gift Program for the Gourmet Line

This program was launched in September 1958. Nine assortments were made available for national distribution through the current outlets as well as to manufacturers, to be used as corporate gifts.

This program was not a success. Several reasons for this are:

1. The Company started too late. It is thought that July is the month to begin such promotions. (By September, many potential customers had already established their Christmas inventory.)
2. The institutional business was not pursued strongly enough because of the late start, and many requests for information from manufacturers could not be properly followed up by the salesmen they used.
3. The Gourmet Foods' discount rate was inadequate for institutional selling. It was found that most manufacturers who sell to corporations for Christmas gifts have discounts ranging up to 50 per cent. (General Foods' ranged from 20 to 35 per cent.)

January 1959 Decisions

At this meeting of management, it was decided to concentrate on present accounts rather than to seek out new ones. At this time Gourmet had still not reached its minimum number of 1,200 accounts

and it was felt that efforts could best be placed where the business now existed rather than adding any new distribution.

A decision was made to sell the gift assortments year-round. This was occasioned partly by the fact that there was a substantial inventory of gift packages as well as by feeling that there may be a potential for this kind of gift at times other than Christmas. This effort was not successful; Christmas season seemed to be the only season that the Gourmet gift assortments would sell.

Another item was slated for disposal -- Cocktail Biscuits had not reached sufficient velocity of sale to overcome their short shelf life.

Major Milestones Passed by the Product in the First 18 Months

At the end of the year 1959, the Management Group met with the Development Council to discuss the Gourmet problems. Reviewing the progress in Gourmet's first year and a half, on the favorable side was the excellent Corporate publicity that it had attained.

However, there were a number of hard lessons learned in the first 18 months. Prime among these was the fact that there were far fewer quality outlets than had been anticipated. This led to the recommendation that Gourmet seek supermarket distribution.

It was determined that the Gourmet product line had not enough fast-moving products, therefore there would have to be a major adjustment in this area in order to get the line volume up.

It was decided that the price of the Gourmet products had been given far too little consideration. The Gourmet products were priced well above the nearest competition in the fancy food field.

Action Taken as a Result of the Meeting

First of all, the Development Council meeting decided to reduce prices in order to bring them in line with their fancy food competition. For example, the preserves were now priced along with the fancy grocery preserves sold by competition, not the regular grocery distributed preserves. The average price reduction on Gourmet products was 20 per cent. The range was from something in the neighborhood of 10 per cent to as much as 30 per cent on a few items. These price reductions went into effect on May 1, 1959; but because of the restricted manpower available to Gourmet and because of the trade practices in the fancy food field, many of these reduced prices did not show at retail until the middle of the summer.

At the same time that the prices were decreased, plans were laid to replace present stocks with lower priced products. This meant two things:

1. Items which were to be retained in the line would be replaced from lower priced resources and by decreasing quality slightly.
2. The slow moving items which were overpriced would be replaced by new lower priced items.

Once again the objective was to reach a break-even point on the present line as quickly as possible.

Another development from this first 18 months' experience of Gourmet in the department store and fancy food field was the decision to investigate the potential for the Gourmet products in supermarket distribution.

After gathering factual information on the market for fancy foods from Progressive Grocer's estimates, it was found that the estimated wholesale fancy food market was \$40,500,000. Turning to the Super Valu Study, some estimates were made of the dollar volume of the various categories in the fancy food field. However, these estimates were considered as only the roughest possible indicator of the relative size of these categories. It was found that to achieve a substantial share of this business it required that the line include items in the major categories - fish, salad dressings, cheeses and entrees, and it was established that a line wishing to penetrate deeply into the fancy food business must be an extensive one.

In the Spring of 1959, when this information was developed, a serious question arose as to whether or not the Gourmet line should continue -- whether it could ever develop the kind of volume that would make it a profitable addition to the General Foods properties. The answer appeared to be that it could not. But the facts were that General Foods was already in the business and that they had substantial inventories. Therefore, they had the opportunity before final decisions had to be made as to whether or not the line should continue, to test it in the supermarket grocery field. Therefore, plans were laid to conduct such a test under optimum conditions.

Gourmet Boston Supermarket Test

In August 1959, a test was developed to answer the question, "Can the present line -- reflecting a total of price reductions -- sell profitably through supermarkets?" Improvements over earlier

supermarket test -- the Los Angeles Test where the Gourmet line had failed -- were the following:

1. Prices of the entire line had been reduced.
2. New lower-priced items had been added to the line including party dips and party sticks.
3. Consumer promotions were planned. These had been specifically ruled out of all past Gourmet marketing programs.
4. The timing was better. That is, there was sufficient time to get the line into good distribution before the heavy-selling Christmas season.
5. It would have relatively better distribution. Gourmet was placed in distribution in approximately 50% of all of the supermarkets within the Boston test area. These stores accounted for somewhat more than 50 per cent of the total grocery store sales in the test area. This is in contra-distinction to the Los Angeles experience where Gourmet was distributed in 100 stores representing a small fraction of any given chain in the market.

A function of the more complete distribution is more trade enthusiasm. Whereas in the Los Angeles experience there was no reason for chain store management to concern themselves with a Gourmet sale, in Boston there was participation up to the very top management of the chains involved in the test.

In-store locations were better in Boston. In earlier supermarket operations the product had been almost always located over the

delicatessen or frozen food cabinet, making it very difficult to see because of the white labels, and more difficult to reach. In Boston a number of gondola displays were achieved; and in several cases, the products were integrated with their regular grocery counterparts. There were relatively few locations over deli cabinets and freezer space.

Eighteen months' experience in the fancy food field had indicated the products in the Gourmet line that had the greater chance to have more volume potential in a supermarket test. Three assortments were made up for various size stores, or departments within stores, taking maximum advantage of the faster-moving items.

The advertising used in the Boston Supermarket Test would be relatively more effective than any other done by Gourmet Foods because of the relatively high distribution in the Boston market. The contrast here with the Los Angeles experience is particularly marked, where instead of being in 50 per cent of the chain outlets, Gourmet had been in something under 10 per cent.

Boston's Schedule

The line was offered for sale in September. Three assortments for the various size departments: 35 or more items for the largest department store outlets, 25 for the medium outlets, and 15 for the smallest stores or those with the smallest departments. Actually, more than two-thirds of the stores stocked the larger two assortments. By the 1st of October, eighty-four stores were in stock. The introductory advertising broke in October, with 800-line insertions in the two major papers in the market. This continued every other

week throughout the three-month period.

The two promotions employed were an introductory offer good on the first order during September and October which was discounted off the face of the order. In November, there was a special promotion employing in-store display material. Dealer incentive was five units billed as four.

The Results of the Boston Supermarket Test

It was originally planned that the line would be stocked in the 100 outlets. Gross sales for the period from the introduction during September through the December quarter was set at \$58,000 or \$580 per store. (It should be pointed out that this was not an estimate of expected volume.) Actually, it was the minimum volume which would indicate a projected business of sufficient size that would have profit potential to the Corporation.

Retail inventories were set at \$160 per store or approximately \$16,000 in the market. This figure represented a continuing inventory of the equivalent of 20 cases of Gourmet products per store. These calculations developed an estimated total consumer sale of \$42,000 during the first five months of operation, or \$420 per store.⁶⁸

Estimating that the Boston area would account for roughly 2 per cent of the total fancy food grocery business in the Country (2 per cent of the total grocery business is done in the Boston market), the Boston experience could be projected to the minimum of \$5,250,000 nationally.

⁶⁸General Foods, Gourmet Foods - Past, Present, Future.
Op. Cit., p. 19.

If it were true that the Boston per cent of the total of the fancy grocery business were set at 3 per cent of the national business, the Boston minimums would then project to \$3,675,000.

During the period of the Boston Test, 89 stores (rather than the 100 originally planned) stocked Gourmet products. Gross sales in this period were nearly \$50,000, or approximately \$560 per store.

Store inventories taken after the close of the test period indicated that there was approximately \$20,000 worth of product remaining in the Boston market (this figured out to be around \$225 per store). This reduced the estimated consumer sales per store to around \$335 during the months of the test. The projections then indicate a gross national sale of approximately \$4,200,000, if Boston is assumed to be 2 per cent of the total business or \$3,000,000 if Boston is considered to account for 3 per cent of the total national fancy food volume.

It is important to note here that it was assumed that the per cent of the total fancy food business done during the December quarter is 40 per cent of the total national volume.

The Boston Test experience suggested that the present Gourmet Product Line could sell nationally at a rate of approximately \$3,000,000 per year in major supermarket outlets.

The Boston Test resulted in showing that the four top items of the Gourmet Line were:

1. Beverages
2. Entrees
3. Snack Dips
4. Canapes

The four items, considered to be top, accounted for over 50 per cent of Gourmet's projected national sales.

After the results were studied in the Boston Supermarket Test, it was decided to discontinue the present line. "As tastes and incomes and our standard of living rise still higher, it may well develop that even the gourmet foods experiment was less than a decade ahead of its time", stated Mr. Charles Mortimer, Chairman of the Board.

Mr. Mortimer said the Gourmet Line failed to contribute to company earnings because they do not seem at this time "to have sufficient mass appeal to provide a sound basis for building an adequate profitable business -- either for our customers or for General Foods".

He said that two of the company's other objectives in presenting the Gourmet Line have been achieved. He said "these high-quality foods have contributed materially to a favorable corporate image", and "our experience has suggested one or two items in the line may hold promise of suitability for mass distribution".

Conclusion of General Foods Gourmet Foods

Actually, I feel that General Foods introduction of their Gourmet line was in truth a success. In setting up Gourmet Foods, the Corporation had an eye on the potential prestige value of such a line, as an addition to the staple lines that are its mainstay. Since the basic and most important objective of the Gourmet line was to build the Corporate image, we can consider the Gourmet line as both an important experimental venture and an extensive advertising campaign for the benefit of General Foods.

There are many reasons why Gourmet Foods were not a profit success for the Corporation. Many of these reasons have been discussed in the preceding pages. Prime among these appears to be that there is not yet sufficient market potential for such expensively priced delicacies. Also General Foods formulated its product specifications and made its penetration into the field before adequate sound information was gathered on the market for fancy foods.

At the present time, General Foods is experimenting on the mass production of at least one Gourmet item, uncovered to be a potential for mass distribution; therefore, this venture may prove to have satisfied their second basic objective which was to help identify products which might have mass distribution potential.

After closely scrutinizing the Gourmet Lines' reports and other available information, I have come to the conclusion that this venture into the fancy food field was almost a complete adverse to the normal procedure of introducing a new product or a new line.

I cannot help but wonder, if General Foods had developed a less extensive and a more moderately-priced line of fancy foods and had considered frozen food specialties, that there might have been more profit potential and consumer acceptance for their product line. (But their prime objective may not have been satisfied to the fullest in this event) The frozen food area is expected to be the fastest growing class of foods in the "Sixties".⁶⁹ In this area, General Foods' name of leader in convenience foods could be extended through the mass distribution made possible through supermarket distribution.

I can project into the future and visualize a successful line of Gourmet frozen foods under their label as the "Finest Foods from the Four Corners of the World" -- (the favorable Corporate name has already been established in the people's minds) -- and the quality and price for this line would be considerably lower than the former Gourmet line.

⁶⁹"Food Distribution in the 1960's", Progressive Grocer, p. 5.

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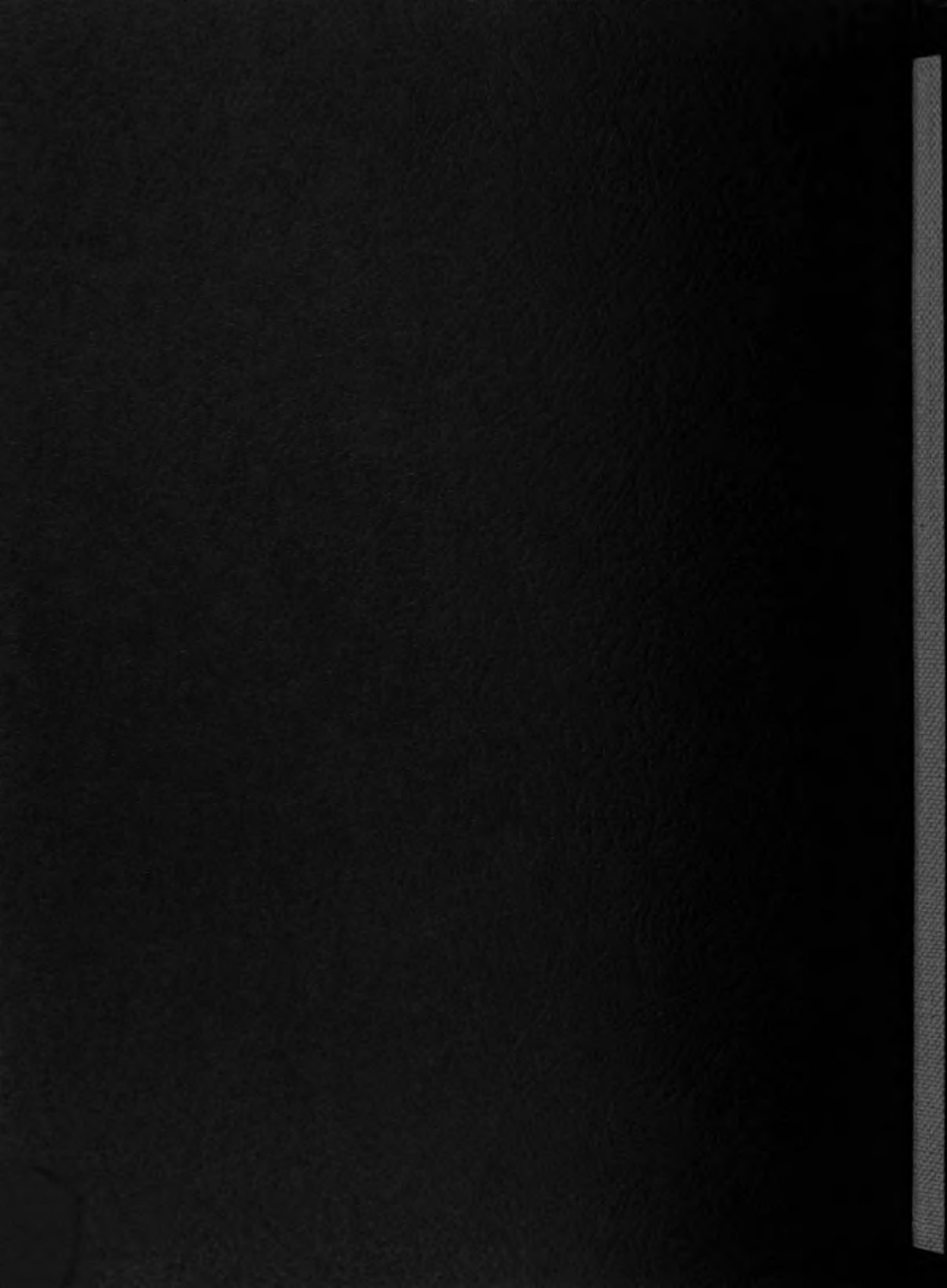
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