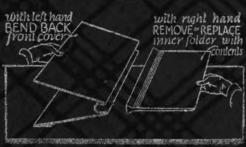




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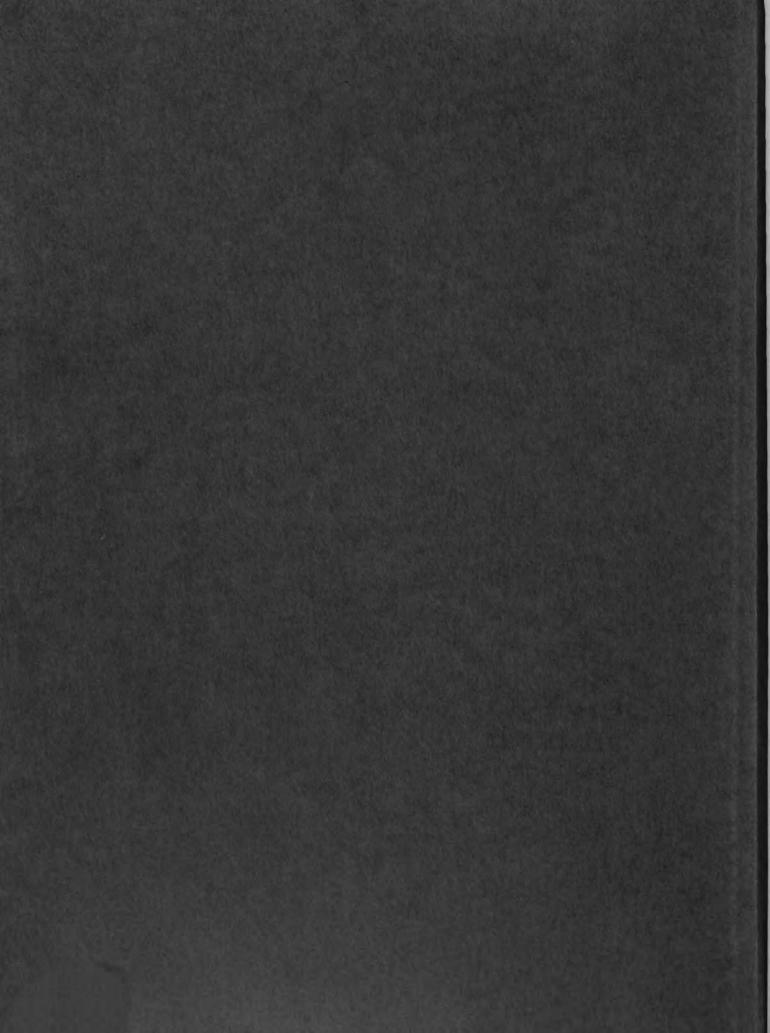




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THE INDEPENDENT CAN MOVE FORWARD

N. J. Adamson

Presented to Dr. E. M. Barnet to satisfy the requirements of the degree of MBA at Michigan State University - June, 1961.

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INTRODUCTION

By taking advantage of certain benefits available to him, the independent supermarket operator need not become a dying part of the American scene. Yet in conversation with students, instructors, and others, one often hears the remark that the independent merchant has had his day and that it is only a matter of time until everything is sold by chain store outlets. They say this is because we now have an economy that fosters big business; and consequently, "the poor little guy" hasn't got a chance. In forming such an opinion, these people are oblivious to the following considerations. The first is that both chains and independents have existed for a long time without either gaining a permanent advantage; although, at any given time one or the other may have predominated. The second, is the matter of big business. This is a relative term and consequently what is big business to some is "small potatoes" to others.

For example, I worked for an independent firm that had four supermarkets and a total volume of approximately \$6,000,000 per year. It this not a relatively "big" business? As another example, let us consider the voluntary chains of which my employers were members. This group was

known as Super Valu Stores, and the total sales of its retail members amounted to \$375,000,000. With the exception of a few stores, these supermarkets were independently operated. Additional evidence for this point of view may be found in the fact that many other independent food store operators are just as successful as my former employers. Also, there are other organizations to which independents may belong that are doing large volumes of business.

Both the corporate chains and the organized independents are growing, but the independents are growing at a greater rate. Although many would disagree, I believe firmly that the independent supermarket is a type of retailing institution that will remain with us for a long time to come as an integral and indispensible part of the total business picture.

In this paper, I intend to show that the independent can survive and become an even greater force in the supermarket industry. I will first trace the history and development of the supermarket movement in this country, and will then analyze the current status of the organized independent and its counterpart the national chain. In conclusion, I will discuss the advantages of the owner-manager type of operator over the employee-manager operator, as I see it.

Before beginning our historical analysis, it is essential that we define our terms. As our definition of an independent, we will accept the viewpoint of Super Market Institute which considers an independent as having not more than ten stores. The criterion used here for differentiating between chains and independents is not the number of stores alone, but also includes the managerial relationships involved. Generally, there is no central warehouse in these smaller multi-unit organizations, and the philosophy of the individual managers closely parallels that of the actual owners. The manager of a single independent will be considered as an owner-manager and the manager of a chain store as an employee-manager. The former definition will also include multi-unit store managers.

The term "organized independent" is used to differentiate between the operator who belongs to a voluntary chain or cooperative group and the "unorganized independent", who has no binding wholesale agreement. A voluntary chain is a term describing the relationship between a wholesaler and a group of stores whereby an agreement is made concerning the percentage of goods to be purchased from the wholesaler in return for specified services and lower unit prices. The cooperative system is quite similar, except

that the wholesaler is not a separate and private businessman. The warehouse is owned by the member stores and a team is hired to manage the wholesale function.

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Chapter One

PRIOR TO 1930

In 1933 the entire grocery and combination store volume was five billion dollars. ¹ Today one large chain, the Great Atlantic and Pacific Tea Company, does a volume of \$5,049,000,000 ² and even this is only about 10 per cent of the total food business. This apparent growth pattern certainly warrants some investigation. This section, however, will concern itself with what proceeded the 1930's.

The capital needed to open a supermarket today in the \$1,000,000 class is \$500,000. This has not always been true, because in the past, retailing was on a smaller scale. It was relatively easy to set up a retail business.

The size of any particular operation depended upon the socioeconomic factors at work in that location. One individual could procure and stock a small store with little capital outlay. Since the amount of investment needed was small, competition was fierce and promotional devices were

- 1. United States Department of Commerce, Census of Business, 1933.
- 2. Dun and Bradstreet, Million Dollar Directory, 1961 Dun and Bradstreet, Inc., New York, 1960.
- 3. Roy King, Editor, Food Topics in talk at M.S.U., "The Supermarket Operator Looks Again at In-Store Merchandising and Promotion" 1961.

virtually unknown. Newspaper advertising was not used until shortly before the advent of the supermarket. Chains started using this medium in 1927 and independents soon afterward. Trading stamps were first introduced in 1896 by the Sperry and Hutchinson Stamp Company. Without these aids, the owner-manager had the sole responsibility of popularizing himself and his store throughout the area.

This owner-manager was often the entire staff, although in some cases other members of his immediate family assisted in the operations. He was able to oversee all that took place and to greet each of the customers as they arrived. Because of his immediate familiarity with all the facets of his operation, he kept few records. He simply took the cost of the goods as a base price and added to this a percentage to cover overhead. If he added enough overhead, he made a small profit, and, if not, he was slowly driven out of business by his creditors.

Since the owner made all the decisions and had all the responsibility, the success of the operation depended upon his own ability and management. This fact is borne

- 4. Zimmerman, M. M., <u>The Super Market</u>, p. 10, McGraw-Hill Book Company, Inc., New York, 1955.
- 5. Haring, Albert and Yoder, Wallace 0., p. 4, Foundation for Economic and Business Studies, Indiana University Press, Indianapolis, 1958.

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out by a tabulation of Dun and Bradstreet in the late 1920's. They found that thirty-five per cent of all business failures were due to incompetence and thrity-three per cent of the failures were due to lack of capital, which may be characterized as a form of incompetence on the part of the merchant.

6 This great dependence on the owner's own ability was an integral part of the retailing in its infant and adolescent periods. It also led to quick demise of many stores. The entire history of retailing in the nineteenth and early twentieth centuries has been the story of the independent store and its owner-manager.

However, there have been attempts at various times to put into operation multiple units of retail shops and to have each one run by an employee-manager. Some of the chains lasted for many years only to disappear with the death or dispersion of the owning family. A few have lasted up to the present time, notably those organized within the eighty years prior to our supermarket revolution. Since chains of supermarkets have largely set the pattern for our country's food industry in the last few years, it might be helpful to look at some of the chain developments in the past.

6. Darby, W. D., STORY OF THE CHAIN STORE, p.4, Textile Publishing Company, New York, 1928.

Little has been recorded about retailing in the past. However, we do have a record of a Chinese businessman who had many shops during the Celestial Empire. This man, On Lo Case, started his chain as early as the year 200 B. C. 7 There are various Greek and Roman records that point up the fact that chains of units with central ownership and management existed at very early times. Germany and Japan from the fifteenth to the seventeenth century had chains of commercial organizations. In fact, the Mitsui family chain of drug stores, which was started in 1643, still exists today in Japan. 8 The Hudson's Bay Company was chartered by King Charles II in 1670 to operate a chain of trading posts in northern North America. This company is still in existence today with both trading posts and department stores in Canada. In the United States there was a group of nine stores located in The Worthington Manufacturing Company is said to have started these in 1818. It is interesting, though, that the first really successful chain in this country should be in the food field. The Great Atlantic and Pacific Tea Company opened its first store in 1858 and two more in

- 7. Nystrom, P. H. "Retail Trade", ENCYCLOPEDIA OF THE SOCIAL SCIENCES, Vol. 13, p. 35, The McMillan Company, New York, 1934.
- 8. Orchard, J. E., "Mitsui" ENCYCLOPEDIA OF THE SOCIAL SCIENCES, Vol. 10, p. 550, The McMillan Company, New York, 1933.

1859. This company was established as a family firm and has remained as such until fairly recently. Its operations are widespread in both the United States and Canada.

The Kroger Company came into existence in 1882, and Safeway in 1915. All of these firms are still very much alive and today are the three largest firms in the food retailing industry. It would be well now to look at some of the problems and forces which these new retail combines had to face.

One of the problems involved public opinion. This problem was not only subtle with respect to detection and analysis, but was also very hard to deal with. Since such a large percentage of the population was then living in rural areas, there was great difficulty in making a chain unit an integral part of the community. Independent businessmen were quite successful in selling the local population on the idea that buying from a chain store resulted in sending local money out of the area. This pressure increased to such an extent in some areas that considerable action was taken by state legislatures. Each chain company and each unit manager had great difficulty in overcoming local resistance and becoming an accepted part of the community. Even today, this problem is not

completely solved, as residues of ill feeling toward chain stores still exist in many rural areas.

One problem that faced every chain store company was that of finding men who were really interested in running a retail unit. When compared with other chains, the food chain stores were quite small, and consequently had a limited number of employees, but other types of chains needed men that could handle buying, merchandising, personnel, and a whole host of other areas, while operating a fairly large unit.

Various methods were tried and used by the chain stores.

J. C. Penny started a small dry goods store in Kemmerer,

Wyoming, during 1902 which turned out to be quite successful under his management. In 1908 he decided to open a

second store. This store was to be located in Cumberland,

Wyoming, some distance from the original site. He realized

that a dedicated, hard-working manager was needed in this

location. To fill this position, he hired an acquaintance,

Earl C. Sams. When the third store was opened in Eureka,

Utah, Mr. Sams became a partner in the business. From that

time until 1927, each new manager came into the organiza
tion as a partner in the ownership of the store he managed.

This appeared to be a successful way of getting the type of managers that Mr. Penny wanted. By 1927, the chain had grown to about 900 units. Since that time, the managers have become partners or stockholders in the entire business. This concept of giving the employee-manager a feeling of direct participation in the operation of the business as a whole has contributed heavily to the success of the J. C. Penny Company.

Despite many difficulties the chains were able to recruit talent, and as a result the period from 1910 to 1930 saw a great mushrooming by chain store operations. In many cases, success came primarily through tight home office supervision and control. The food store manager had little trouble making decisions, since his every move was dictated from above. Indeed, the parent company formulated a rigid set of rules covering all aspects of the business. Despite the fact that these rules were often archaic and unrealistic, chain companies continued to grow. One company alone (A. & P.) controlled 17.000 retail outlets.

The chains had varying degrees of control over their managers and varying growth patterns, but the fact remains that evenduring a time when there was much public opposition

^{9.} Darby, W. D., STORY OF THE CHAIN STORE, P. 13., Textile Publishing Company New York, 1928.

:: 3 :: 1 to chain stores, a great many people were apparently satisfied to some degree. This is emphasized by the fact that in the late 1920's about thirty-five per cent of the food volume was credited to chain stores. Since a statistical comparison between chains and independents was unavailable, it was difficult to say which operation was the more profitable. If judgment was made on the basis of number of stores, the chains were showing great growth. This might have continued for some time had not other market influences made their appearance, including organized independents.

The Appearance of Cooperatives

In 1888 the Frankfort Wholesale Grocery Company was organized in Philadelphia by a group of independent food retailers. ¹⁰ The basic concept behind this company was vertical integration, or retail ownership of the wholesale function. Any profits made from business operations were returned to the owner members on the basis of their volume during the preceding accounting period and not on the basis of shares of stock. This revolutionary idea increased the efficiency and profit motivation of the

^{10. &}quot;Cause and Effect" p. 33, Cooperative Merchandiser April, 1961, Vol. 26., No. 4.

individual operators. The basic idea behind these cooperatives, as they came to be called, seemed to be good, but the financial commitments of the member stores were great. The central unit, however, apparently did not do enough volume to make enough money available to the members to help them finance their operations, to advertise collectively, or to do other things the chains could. Even so, there were enough members involved in setups such as these that at least some of the food volume was channeled through cooperative organizations. The real growth of the cooperatives was to come later, after the day of supermarkets had arrived and these large volume stores were accepted by the public.

The Appearance of Voluntaries

The independents soon found that their survival depended upon voluntary cooperation in wholesale buying, so that their wholesale unit price was substantially lowered. In this manner, the voluntary chain movement was born. Despite the fact that this movement was late in getting started in comparison with the cooperatives and chains, it was strongly supported by independent wholesalers and retailers. J. Frank Grimes of William Thompson and Company of Chicago had seen the wholesalers were losing ground

during the time that he had audited their books. realized that this was caused by inefficiency in methods of operations. He also realized that most grocery store owners needed both guidance and assistance in their competitive battles. In 1926, he sold his idea to the William T. Reynolds Company of Poughkeepsie, New York, 11 a wholesale grocery house, which consequently became a charter member of the Independent Grocers Alliance. Another pioneer in the field of voluntary chains was the S. M. Flickinger Company, Incorporated. of Buffalo. This wholesaler initiated the practice of promoting a private or controlled brand, operating under the common name, and advertising collectively. This was the first of the "Red and White" operations. In both of the above examples, the basic philosophy was the same: It consisted of pooling the individual retailer's purchasing power, amalgamating the independent retailer to one central warehouse, and providing the retailer with some of the services essential to successful competition with chain stores. Now the retail unit had ties to other units. but at the same time an owner-manager to handle the store decision making without the necessity of following a book of uniform regulations.

^{11.} Zimmerman, M. M., THE SUPER MARKET, p. 22, McGraw-Hill Book Company, Inc., New York, 1955.

^{12.} Ibid., p. 12.

Summary

The early history of retail marketing in the food industry has been greatly influenced by the "rugged individualist" type of manager. This man started with little capital, was solely responsible for the success or failure of his business, was relatively impervious to social change, and had little influence outside his own tightly-knit community. Nevertheless, he was the prototype of our modern supermarket managers.

The development of chain stores was greatly hampered by rural resistance to change. Not only did country folk object to "new faces" in their community, but they also were susceptible to suggestions that "outsiders" were exploiting them and taking "local" money elsewhere. However, the growing trend toward chain store operations was furthered by the practice of employee participation in company profit initiated by J. C. Penny.

The competition between the independents on the one hand, and the chains on the other, led to the establishment of two types of retail institutions, the voluntary chain organization and the cooperatives. The systhesis

of two existing institutions incorporated the strong points of both, inasmuch as it combined low wholesale price and strong purchasing power with a continuing independency of operation.

Chapter Two

THE OPERATORS ADJUST TO THE NEEDS OF THE PUBLIC

In 1930 another movement started. It concerned both the food store customers and the ownership or affiliation of the food store. This movement was characterized by the fact that the consumer was offered a greater variety of product at a lower price, although the quality of service was lowered. This movement, which resulted in our modern supermarkets, generated much controversy, inasmuch as the year chosen for its debut saw the U. S. strangled by depression. Since the buying power of the American public was substantially reduced, retail food leaders capitalized upon the concept of supermarket service as a means of retaining their share of the market. In the vanguard of this revolutionary retail movement was the independent operator, who was aware of and made allowances for pre-Vailing market conditions. Since he was cognizant of the financial status of his customers, he realized that the only path to retail economic stability lay in the direction of lower consumer prices and diversification of product. To realize these objectives, he was forced to expand his physical plant and at the same time curtail his individualized treatment of the customer.

One individual who was equal to the challenge was Mike Cullen. Mr. Cullen was a division manager for Kroger in Herrin, Illinois, in 1930. He believed that the future of the food industry lay in the area of large size, low overhead, high volume stores. He presented his ideas, including estimated results, to the Kroger Company, but before his appeal reached the president, William H. Albers -who later started his own company of supermarkets -- the idea was turned down. 13 Mr. Cullen then felt he must implement his ideas in establishing a new type of store. In August of that year he and a partner opened a "King Cullen" supermarket in Jamaica, Long Island, in a refurnished garage. Since his overhead was extremely low, he was able to consistently undersell his competition, to the surprise of his customers and the dismay of his opposition. Successful in his initial plunge into the retail business maelstrom. Cullen expanded his operations in this field. Before long. it was a predominant feature in his section of the country. Two years later Robert M. Otis and Roy O. Dawson also decided to try their hand at independent merchandising. Having received financial help from a grocery wholesaler, they opened a supermarket in the vacant Durant auto plant in Elizabeth, New Jersey. They called their store a Big

^{13.} Zimmerman, M. M., THE SUPER MARKET, p. 31, McGraw-Hill Book Company, Incorporated New York, New York, 1955.

Bear Market and used advertising slogans based on this name. They provided low prices and free parking to attract customers from a large geographical area.

In these and other early supermarkets, the general sales pitch consisted of low prices based upon inexpensive plant and equipment. These revolutionary new stores caught the fancy of the public, since it was possible to buy more food for less money. The customers were satisfied, but the competition was incensed. The remaining independent and chain stores united in a fight against this new giant. Bills were introduced into the New Jersey legislature that, if passed, would have stopped or hurt "Big Bear", and pressure of other kinds was brought to bear on the wholesale grocers and newspapers. When the newspapers did refuse to accept advertising from Big Bear, the store owners simply had a four page handbill printed and distributed to every home in a ten mile radius from the So, it may be said that the independents, by adapting to market needs were able to jump ahead of their competition, and to reap gains in the form of profit.

About 1935 supermarket structure began to change. The country was beginning the climb back to financial stability and more capital was available for consumer

spending. Although basically oriented toward the supermarket type of retailing, the consumers desired a more attractive physical plant. Retail management was aware of this shift in consumer taste and adjusted their supermarket operations accordingly. Even the chain store companies realized that a new era in retailing was at hand, and began to build their own supermarkets. In 1936 A. & P. opened 20 of these stores; by 1943 the number of A. & P. controlled supermarkets numbered 1,646. Between these dates. their "conventional" store enrollment dropped from 14,426 to 4,105. With the large chain firms entering the field, the situation in some ways once again resembled that of the 1920's. Only the early leadership of the voluntary and cooperative groups in pioneering supermarket development prevented the chains from dominating the field. With their owner-manager stores, the organized independent groups were able to survive. In the last few years, these two types have been showing outstanding growth patterns and are worthy of some further investigation. The succeeding chapter will look at these groups to see how they operate to give their owner-managers the support to compete effectively with the corporate chain outlets.

Before beginning a discussion of what there is behind the managers in home owned stores, some time should be devoted to the pending rise of a new type of retail operation. This is of interest, here, as both chain store firms and independent operators are making exploratory moves in the field of discount house operations.

Supermarkets were successful because they combined low overhead with self-service to feature lower retail price. The idea of self-service was first put into use by Clarence Saunders in his "Piggly Wiggly Stores". The first of these opened in 1916 in Memphis, Tennessee. 14

Through the years of supermarket existence, the margin needed to cover expenses has become greater due to increasing operating costs, although the self-service idea has remained in full use. The stage then was set for a new type of operation that would once again cut out many of the frills, ask the consumer to participate by driving to the establishment, and pass along savings to the customers through lower prices. In other words, the idea was to combine low overhead with the self service as it had been done in early supermarkets.

The recent discounters have been engaged in selling hard lines of merchandise. These retailers would take

^{14.} Ibid., p. 23.

tures and below list hard goods. It became possible to find many national brand items for greatly reduced prices. Recently, the idea has spread to include many items which are not given a list price by the manufacturer from which a discount can be made. In this case, the prices on these soft goods are set at a level below that charged for similar goods at ordinary retail stores. The next step taken was to put whole department store operations on a discount basis. Examples of this idea are "Two Guys From Harrison" and "Davegas". These outlets are now carrying almost as many types of items as regular department stores, although as inventories cost money, the selection is often limited in both width and depth.

Recently, these discount features have been applied to items usually found in supermarkets. Naturally, this caused a great deal of discussion in food retailing circles. Both chain store firms and independent businessmen have opened stores of a discount nature. Some operators have opened whole discount stores such as Grand Union has done with their "Grand-Way" stores. Others have leased space within an existing or a new discount operation and are now operating a supermarket within the unit, such as Red Owl

has done in the "Gem" outlet in Denver. Neither type of discount food store has yet been declared the best, since both show much promise.

The interesting feature about the rise in discount operations is that operators are willing to accept this new era and to adapt to it. In the 1930's supermarkets were fought as though they were a menace to our economy. The discount house, however, is being viewed by many as a better way to retail merchandise. This view is held by both chain store companies and independent operators as many realize that they must provide the goods and services that the public wants at prices the public is willing to pay. The Grand Union chain has taken steps toward discount operations. This is an example of a corporate chain making a move. Recently, two independent operators in Minneapolis unveiled their plans to build a complete discount department store similar to Grand-Way and to include in it an independent supermarket. This food store operation will be a part of their own overall operation, but it also will be a unit in the Super Valu voluntary chain.

Although there has been talk and rumors of asking for legislation against discount operations, it is unlikely

that such action will materialize or hinder the growth of the discount move. Proposed and actual legislation had little or no effect on the appearance and growth of chain store companies and supermarkets, and it will do little to hamper the growth of the discount house movement if the consuming public is requesting such retail institutions. The food store operators that realize they will be the ones who will progress with this or any other major trend in the future.

Summa ry

In the early 1930's the country was ready for a new method of retailing that would offer food for less money. Several independent operators realized the need and attempted to satisfy this need by combining low overhead and self-service. These independents were close to the retail scene and were able to successfully put into operation a form of stores known as supermarkets. It was not until later that the chain store companies were able to shift their philosophy and make a similar move.

Through the years, however, the costs of running these conventional supermarkets has risen with the natural result of higher retail prices. This situation had developed

even earlier in other lines of retailing; consequently, the discount house was born. Recently, food store sections have appeared in these operations, showing a natural trend of adjustment to overcome the higher margins required in ordinary supermarkets. This move has been made by both chains and independents, and it bears out the fact that most successful food retailers now realize that they must provide what the consumers want whether it is done with supermarkets or discount operations.

Chapter Three

THE IMPORTANCE OF CENTRAL ORGANIZATIONS

Part I

The Cooperative Organizations

We have seen that the independent can adjust to market conditions if he so desires. Yet there has been considerable discussion in the past few years as to whether an independent food store operator can really be as efficient in his operation and as effective in his market territory as the chain store. Even when considering the great support of voluntary groups and cooperative operations, some persons question the chances of the independent operator. Others take quite the opposite view, as can be shown by the following statement. "We in the retailer-owned segment of the food industry feel very strongly that owner-managers are more productive, more efficient, and more effective. They have the advantages of securing nationally-advertised merchandise at the same price as it is offered to the chains, while retaining the flexibility and incentive of a locally-owned retail outlet." 15 This statement was made by a man connected with a cooperative group. A similar one could have come from someone interested in the voluntaries.

Wayne R. Wilcox, Director, Store Finance and Accounting, Spartan Stores, Inc., Grand Rapids, Michigan.

Since this is the case, it is necessary to go deeper into the three types of operations and to see how they operate and what the store manager in each case can do and what he has to back him up in the decisions he makes.

Independent merchants often think only of the present and of their position in the overall market structure unless they have some sort of a guiding hand that will channel their strivings for dominance into a progressive pattern. Unaffiliated operators often try to buy their merchandise at the place that gives them the "best deal". This makes their merchandise assortment, pricing, services, and so forth, vary with suppliers. When an owner-manager realizes this, he has two choices if he wants to get ahead with a group. He may join a voluntary chain or a cooperative system. The first such operation to be considered will be the "cooperative" groups of stores and their owner-managers.

Earlier we saw that the idea of cooperative distribution systems is not a new idea. Due to various environmental factors, however, their growth in food retailing
has been only within the last fifteen years. This is
witnessed by the fact that this type of operation did

approximately \$2.6 billion retail sales in 1948 for 10 or 11 per cent of the total food business. In 1958, the figures were \$7.6 billion and 17 per cent. Last year it is estimated that the retail stores in these programs did \$12 billion for 22 per cent of the total business. ¹⁶ A growth pattern like this is conducive to the idea that the cooperative warehouses are offering something of merit to the retailers, and that the retailers are also serving the consumers in an acceptable manner.

part owner in the central warehouse operation. This warehouse is mutually owned by the member store owners. Such an arrangement ties the store operator to this central warehouse as his sole or at least main source of supply. This is in theory the strength of the operation. How closely he follows this plan of using the one source is affected by several factors. One is his own personal desire to see the cooperative survive, and grow. This will depend to a degree on the amount of the warehouse operation he owns through the purchase of shares of stock, and upon his belief in the cooperative idea. Another factor is the degree of control the members have allowed the central unit to maintain over them. In order to join, the member

[&]quot;Cause and Effect" p. 36, Cooperative Merchandiser April, 1961, Vol. 26, No. 4.

must agree to give up some autonomy, but the amount of autonomy retained by the members will differ from one cooperative group to another. A third influence is that of the warehouse manager and his staff. The progressive coop has learned that it needs a manager for its association that will survey the competitive situation of the market territory, formulate an aggressive program to enable the member stores to compete effectively in their locations, and see that all stores adopt this central program in order to work together in capturing a greater portion of the potential volume.

The central unit provides various services for the members that will help the stores to be more efficient in their operations. Of course, the most significant of these is the volume buying that the warehouse is able to do when it has the combined purchasing power of the stores in the group. Order patterns of the stores are studied to determine the projected needs of the retail units. The warehouse, then, is able to go about its buying in a more efficient manner, since the future demands can be approximated with greater ease. Also, the warehouse moves enough volume in a steady manner that it can approach suppliers and brokers

as a large account buyer. The total effect is a savings for the warehouse which can be passed along to the dealers in the form of lower wholesale prices. Lower wholesale prices mean that at a retail level the store owner is able to meet the prices of the corporate chain stores.

It might be thought that each store owner would automatically reflect these lower wholesale prices in his retail price structure, but there are some owner-managers who would rather price their merchandise at levels above the chain store competition. These operators fail to realize that they are working a detriment to both their own operations and to the cooperative group as a whole. most cases, the retail volume of their stores will be less than it could have been and consequently, the amount of goods moved through the warehouse is decreased. The purchasing power of the warehouse is hurt, and the group will usually receive less esteem from the public. Obviously, the independent operator, by the very nature of his status is free to use whatever price structure he desires; but, the more aggressive cooperative group manager will do all in his power to promote the use of competitive prices in each of the member stores. The fruits of his

labors will be a solid unit of stores that offer the public prices which compare favorably with those of the competition.

There are other services available to the dealer which help to make his operation smoother and more efficient.

Retail Accounting

Many central units offer what is usually termed retail accounting. With this, all financial transactions whether they involve money or just paper work, can be handled at the central level. Many a store could not afford a book-keeper so these matters would often be handled in a hap-hazard fashion. Now, they can be done at the warehouse on a mass scale basis, which makes the price of bookkeeping service within reach for the owner-manager. His invoices can be checked for accuracy, his payroll figured, checks written, and so forth, by persons who do these jobs as full time employees of the cooperative warehouse. The result is greater control over financial transactions for the store owner.

Engineering

Another service is that of store engineering. For some time, the chains had the well-organized retail units, while

the independently operated stores left much to be desired. Now some cooperatives help in site selection, building planning, stock layout, and other engineering features. This was a great forward step, resulting in greater operating efficiency, more convenience to the consumers, and overall improved appearance. The engineering service is available to an operator for either remodeling of his present store or for the construction of a new store.

Personnel Training

The personnel in chain operations have usually been through either a formal training program or exposed to on-the-job training, and in many cases, they have had access to both forms of training. The independent manager, however, for many years had hired persons to do specific jobs within his one store. If these persons seemed to possess some ability and if there were openings for better jobs in the store, employees could advance. This is true provided they had not quit in disgust some time prior to promotions. A training program was sorely needed. Several of the cooperatives now have such programs where employees get formal and informal help to prepare them for Other jobs which might appear within the store. The more progressive of these programs include channels of

transfer between one store and another. If a store is in need of an employee with certain background and skills, there may be just such a person in another store, where the owner-manager is willing to allow him to transfer. Such a program takes much cooperation between operators, since it means an employee quits one location and moves to another. This leaves a gap in the first store which must be filled, but the more foresighted of the operators realize that it is for the good of the entire organization to staff the stores with competent employees. He knows that a reciprocal program is available to him also. It takes understanding operators to agree to a central program that accounts for the needs and surpluses of the total picture.

Merchandising and Sales Promotion

Food retailing is no longer a job of simply filling a large enclosure with groceries and waiting for the traffic to come in. Supermarkets now need to have extensive programs to promote purchases by the consumers. Therefore, the value of merchandising has been long realized by those moving ahead in the food business. Chain stores with their great resources could put specialists of this nature on their staffs and implement merchandising programs in the

stores. Recently, the cooperative organizations have been making strides in this area of merchandising. In the cooperative supply centers, the profits for a period can be returned to the owner members or they may be invested back into the operation. It is the progressive organizations that use these profits to set up such programs as individual merchandise counseling. The retail dealer can draw upon a central core of experts to help him present his merchandise in such a way that the consumers will buy the products of their own accord. The best program will be a Productive mix of sales and merchandising efforts. For this reason, the dealers in cooperatives are encouraged to work together in groups for advertising and sales promotion. The central units have been most helpful in this activity in that they help with planning and creating the sales, promotions, and ad mats. The stores do not appear to the public as completely independent operators, but rather as a solid unit of stores.

Miscellaneous Services

Other types of services are made available to retailers in many groups. Included in these programs are such things as coupon redemption; rack service for hardware, health and beauty items, and soft goods; printing of posters;

and various other aids. Each of these services to the cooperative unit store operator help him compete with his chain store neighbors. As mentioned before, these all cost money and so it is up to the members to be willing to pay for them through either slightly increased fees for purchases or decreased dividends at the end of the accounting periods. But, if they are willing to pay these costs, they can operate a supermarket with almost as much to back them as any chain store managers.

One remaining support that is found lacking in many cooperative organizations is that of financial strength.

Many of the units now are seriously working on this matter so that they will be able to help in the financing of new stores and in helping qualified men become store owners.

A program of this kind takes a determined drive on the part of all involved, since it means the members are loaning their funds to the central unit, which in turn will use this money to help other stores open and stay open.

The Effective Organization

From all that has been said about these cooperative units, it can be seen that to become a member demands that some self interest must be sacrificed for the interest

of the whole organization. However, an owner manager is still the chief policy maker for his store. In addition to this, as a part owner of the warehouse, he has a voice in its management and activities. He is in business for himself and in association with other similar businessmen. He has the ability to run his store as he sees fit, provided his policies are within the bounds set up by the associates in the cooperative system.

It is imperative that the owner manager remember that he and these associates own the central warehouse together, and that together they have hired the manager and supervisory team. The retailers can search for someone with as strong a hand as they want, but it is for their own good to get a manager who will all but force them to pull together to make the cooperative unit work. The cooperative movement has grown tremendously, as the earlier figures show, and it will continue to grow if it is given sufficient support by the current and future members.

The Future

There is an organization to which most cooperative units belong, called the Cooperative Food Distributors of America. Mr. Ray O. Harb, Executive Vice President of the

group, recently published the future for the movement in these words:-

- "1. One of the most significant trends of our times is the development of multi-store super markets within the "independent" field.
 - 2. We will see more development from the single store operator in the retailer-owned field because of the greater opportunity for flexibility and individual initiative inherent in the retailer-owned system. This does not mean that the voluntary chains won't have considerable development, too, because they will, but ours will be at a faster rate.
 - 3. If all major elements of food distribution continue the rate of growth in this decade as they have in the 50's then the retailer-owned supply system will supply those retailers--independents and chains--who will account for 40% of the total retail food store volume.
 - 4. Many present smaller chains, now operating their own warehouse, will discontinue them and join a retailer-owned house and invest their money in retail outlets where the return on the dollar

is greater.

- 5. Because we have so many warehouse managers who have come up the hard way, who have neither inherited the business nor stepped into a readymade business, our managers will be better equipped to meet the challenge and change with the times.

 They are more flexible and can do so.
- 6. Our managers are closer to the retailer picture and will develop their programs to fit the varying needs of their retail members.
- 7. We have more stores to upgrade and because we have a definite upgrading program going on, we will be able to increase our average sales per store whereas many of the chains (both corporate and psuedo) have already reached a higher degree of development. Oh yes, they will grow, too, but our rate will be faster simply because we have a lower base to start with."

All these aspirations will need the backing of the Central retailer-owned warehouses; and Mr. Harb adds two responsibilities that these units have in order for his proposals for the future to materialize. "To keep up to

17. "Cooperative Food Dealers of America Will Lead The Way", Ray O. Harb, p. 10 Cooperative Merchandiser April, 1961, Vol. 26, No. 4.

of the changing frontiers. The need to be more creative in the policy making. To be willing to completely delegate all managerial duties, including that of administering the policies which the Board establishes—to the general manager of your organization." 18

The independent retailer, then, does have a future when joined to a cooperative unit, provided he makes the most of the advantages that are his, It is his own initiative that will make the difference. This initiative has its source in two lines, one of which is the success of his own store, and the other being the success of the group to which he belongs. He needs to be aggressively engaged in promoting both units. This is being done and various owner-managers are moving ahead very well in their fight for the consumers food dollar. I am sure it will continue to be true that the owner-managers in cooperatives can survive and move ahead.

Part II

The Voluntary Chains

The cooperative movement is not the only affiliation to which an owner-manager may belong. Central wholesalers

18. Ibid, p. 12.

gathered around them a group of store owners who realize that they are a greater force if they work together.

Whereas, the cooperatives hold their members by the fact that as members, they own part of the central operation, the voluntary sponsor must make his prices and services of such a nature that the retailers will remain in the group. The voluntary group is held together by the attractiveness of their wholesaler to the retailer. During the period of 1947 to 1959, the per cent of the total food business done by voluntary units has grown from 18 to 28 per cent. This shows that at least some of the retailers are attracted to their voluntary chain wholesaler.

The following statistics of three typical wholesale grocery companies that are voluntary sponsors speak out loudly as indicators of success in the field of voluntary chains. Sales of the Fleming Company, headquartered in Topeka, were \$11,116,157 in 1944 and \$181,359,379 in 1960. Super Valu Stores, Incorporated, of Minneapolis has seen its sales to retailers rise from \$25,996,130 in 1947 to \$211,468,077 in 1960. In Buffalo, the S. M. Flickinger Company had a sales growth of \$41,236,840 to \$67,147,011 between 1955 and 1960.

The over-the-counter price of stock for the first of these three companies was \$41.50 in 1954. In 1956, its stock rose to a high of \$57.00 and in 1957 the company issued a new stock that opened at \$15.00. This issue had a bid price during the week of June 10, 1961, of \$53.00 according to Supermarket News issued in June 12, 1961.

Super Valu's common stock ranged between \$15.00 and \$22.00 in 1954. The <u>Supermarket News</u> recorded bid price during the week of June 10, 1961 was \$76.00. 19

In covering the backing that the cooperatives give the dealers, general ideas and services were discussed. However, in looking at the voluntaries, one firm is taken as an example. From this example, it can be seen how this method of organization helps owner-managers with their chain store opposition.

The company to be examined here is one that has had an admirable growth pattern, while becoming one of the top fifteen food firms in the nation. Super Valu Stores, Incorporated, has had the sales volume of its retail members increase from \$69,905,000 in 1947 to \$375,000,000 in 1960.

Much of this success is attributed to the fact that the

19. <u>Moody's Industrial Manual</u>, Moody's Investors Service, New York, 1960.

wholesale firm has learned to think in terms of the individual retailer. For this reason their company motto is as follows:- "It is the impelling motive of Super Valu Stores. Incorporated, to provide its affiliated dealers with the advantages of low cost warehouse operation, distribution, operating know-how and aggressive merchandising essential to the development of a strong, successful group of modern, independently owned food stores". Since this company thinks as it does, it was chosen to **Polnt** up some of the procedures used in making a voluntary chain affiliation valuable to retailers who wish to receive help in their search for efficient operating methods. We will look first at what Super Valu does for its dealers then at what it expects from them in return. greatly indebted to Super Valu, who furnished booklets with much of the information on the following pages.

The Upper Midwest is served through six warehouses

OPerated by the firm with headquarters at Minneapolis.

The divisions are headquartered in Fargo, North Dakota;

Bismark, North Dakota; Green Bay; Peoria; Minneapolis,

and Des Moines. Each division is operated in a similar

Pattern and provides the same types of services for the

dealers in the area served. At a recent date, 625 stores

^{20.} How To Step Forward Through Your Affiliation With Super Valu Stores, Inc., p. 3, Super Valu Stores, Inc., Minneapolis, 1961.

were being serviced from these warehouses with the Peoria division only just opened for a few weeks.

Buying and Supervision of Meats, Product and Other Specialties

Like the cooperatives, the most mentioned advantage of stores working together is the savings made by intelligent buying of sizable orders. The firm under consideration has men trained for the buying of groceries, non-food items, health and beauty aids, produce, meats, frozen foods, equipment, and store supplies. Some of these specialized departments will be looked at in more detail, since the buying of types of merchandise is coupled with other aids to help in the movement of these products through the stores. The meat program for instance, includes supervision, buying and selection service, warehouse or supply depot operation and retailer and meat manager training schools. There are meat specialists who spend all their time in the stores helping the market managers run a more profitable operation. They help in cutting procedures, pricing layout, merchandising, and so forth. The buying of meats is quite unique in that only smoked and prepared meats, canned meat, pickled goods, ice packed poultry, dairy items, and supplies are handled through the warehouse.

Not included in the operation is the storage of fresh meat. For the purchase of carcasses, buyers visit the packers and pick the number of head that are to be shipped directly to the stores. This system cuts handling costs, retains freshness, and works very smoothly in a part of the country where many packers have operations. To supplement the field supervision, the dealers and their meat men are encouraged to attend meat training schools. These schools help them in all phases of the operation and give the men a chance to draw upon each others' knowledge.

The produce department also offers both field supervision and training schools at the division headquarters. The department personnel from the stores have a chance to grow with the business and to keep up with the changes that each season and sub-season brings to their stores. The produce men at the stores call their orders to the ware-house the day before delivery as a complete line of merchandise and supplies are stocked there. Buyers, through a combination of travel and communication services, keep abreast of the market conditions and maintain stocks in the warehouses. Frozen foods and health and beauty aids are stocked at the warehouse and are available to the dealers on any of his usual weekly loads. Bulletins and

special order pads help in the merchandising of these items. The "drug" items are all prepriced which means better control for the dealer and also that the excise taxes have been accounted for by the central warehouse. Each of these sources of supply which the warehouse maintains and each of the types of advice given, help the retail dealer to function more smoothly.

Bakery Aid

The search for something extra has led many operators to include bakery operations in their stores. Super Valu was quick to realize that these bakeries could be a welcome landmark to stores with Super Valu signs in front. Therefore, they have been more than ready to assist retailers in starting such a venture. They have helped the situation by providing several services which include; layout, equipment, purchasing, securing managerial talent, outlines of costs, directions for operations and bakery supplies. The dealer now can go into a bakery program knowing that he has the backing of his supplier, who is interested in seeing that the venture is a successful one. The ownermanager will have charge of the buying, pricing, merchandising, and so forth, but Super Valu is there to assist

him in each of these phases.

Advertising and Sales Promotion

Like some cooperative groups, this voluntary sponsor has quite an extensive advertising and promotion department. The dealers are supplied with a weekly ad mat and a suggested list of items to include in this ad. The advertising and merchandising people work together on these proposed ads to assure an over-all careful program. metropolitan areas, where there are numerous stores, each with an owner-manager, Super Valu takes the responsibility for the whole advertising program and the dealers follow it with their displays, and promotions of items being There is also a series of direct mail advertisements which dealers may purchase at low prices if they wish to avail themselves of the service. In the metropolitan areas, they are automatically used, as are the newspaper ads, each retailer handling his merchandising as he and the central office representative determine to be best. Point of sale materials and store posters are also included in the program, as are several supplementary sales promotion devices. In each case, they are a tested aid to the retailer which if used properly help him in his bid for the consumer's dollar.

Modern Warehousing and Manufacturing Facilities

The voluntary idea came from wholesalers who wanted to get retailers to become semi-permanently associated with them. They had a warehouse to offer as a transfer point, and they wanted more efficient use of this space. The idea is still the same today, although many of these warehouses have grown in size and have added various types of automated equipment. Some, like Super Valu, have even added manufacturing facilities. These including roasting and packing of private-label coffee and a variety of celopa cked merchandise. This type of program gives the dealer a product that can be identified with his store along with other private label merchandise that is handled.

Advice and Supervision

Two ideas which have been implemented to tie the retailer and wholesaler closer together are the use of advisory committees and store supervisors or field representatives. The field men call regularly on the stores in their territories to help in the general operating procedures of the supermarket. They are so interested in helping each dealer live up to Super Valu standards that many of their recommendations are almost "have to" orders.

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This is to help the dealer realize that often he doesn't look at a problem in the same way as an outsider. In this case, the outsider is a field representative, but it could have been a customer. For this reason, the field man makes a quarterly report on each store in his territory. The report concerns itself with the appearance of both the store itself and the recent store financial statements. The advisory committee is a meeting place for the wholesaler and the retailer to work out problems and make suggestions for the improvement of the entire organization. In this way, many of the recommendations later made to all stores had their origin at the store level and came up at one of these meetings.

Accounting and Financing

Retail stores may have much of the accounting work done for them by a special department which has been set up at each division headquarters. This takes a load off the retailer and helps him to have a continuous series of reports that show him how he is progressing. A firm as large as Super Valu is also able to give financial assistance to those operators who have proved they are worthy of such help. A man now may leave a position somewhere else in the food industry and with this type of financial backing,

get into the supermarket business on his own.

Trai ming Programs

To help the dealers, the division training programs have been instituted to assure that Super Valu stores are staffed with high calibre personnel. This has been extremely noticeable in the area of a courtesy program that had its first success at Red Owl--a corporate chain. A customer may now enter almost any store and be treated in a manner credible to the image of the entire group. Help is also given to the retailer to insure properly trained employees for their respective fields of employment.

Material is made available to the dealer himself that keeps him up to date on the food industry. He receives market information and price change information at regular intervals.

Market and Store Development

Super Valu has a department that is specifically set

up to see that dealers are given help in the development of

the entire market area. They take surveys, collect data,

take air photos, and so forth, all with the idea of helping

a prospective retailer open a store in an area that will be

of a beneficial nature to both retail and wholesale interests.

There is also a follow-up department that prepares elevation drawings that include the layout of fixtures and all other necessary equipment. The equipment can then all be purchased through Super Valu, who is able to describe the advantages and disadvantages of the various types and brands that are available. The retailer in this way does not have the trouble of finding engineers to do the work and then going through a series of sessions with equipment salesmen.

Requirements of the Franchised Member

In order for the Super Valu program to be a success, the retailer is held to certain terms. These terms are part of an agreement the dealer makes when he brings his operation into the group as a franchised store. As in the cooperative, affiliation with the system means giving up some of his autonomy, but he still remains an owner of his store. Also, he is now linked with many other operators who use similar principles of operation.

He must agree to concentrate his purchases with Super Valu. A new member often finds it difficult to realize why this is necessary, but as he will soon see, it is his job to be a merchandiser of food stuffs and not a buyer. There are experts for the latter function who can buy in

tremendous quantities, so he leaves this function of buying to the better qualified person. The name Super Valu is stressed in institutional-type advertising by the company, and for this reason, each store must be properly ideratified with signs leased to the store by the home office. The dealer is to cooperate with the warehouse by making his orders out in time and by being ready for deliveries as they are scheduled. The field representatives also are to be accepted by the owner-manager, since they are sent to help him run a more profitable and efficient operation. This representative keeps the dealer up to date on merchandising programs that are to be followed by the store so that the people in the warehouse can continue to arrange these programs. Other terms of agreement include cash for all purchases and over-all conduct that is beneficial to group. This conduct is stressed so strongly that each dealer is requested to sign a protection policy which includes an agreement that he will live up to the high standards of the group to protect the Super Valu name.

The purpose of this section is to point out what a pro-Sressive voluntary group sponsor may do to help the members

Operate as efficiently as a corporate chain. Yet, the

store managers in most cases are the owners. Therefore, the progressive groups do not want operators who are not interested in maintaining an efficient profitable store.

A real job in each group is to get all the members to work together and to realize that as independent merchants, they can adjust to their trade much more quickly and provide what is needed at prices that compare most favorably with the chain stores.

Part III

The Chain Store Manager

We have been looking at what is behind the ownermanagers in voluntary and cooperative groups, and we have
noted that in the progressive groups the aid is quite extensive. Now looking at the employee-manager and the
organization in which he functions, we see that all the
props discussed earlier are taken into consideration, at
least by the larger chains, and are supplemented in several
ways. The chain store company may spell out in great detail
what activities are permitted and what ones are not. This
is found in pricing, merchandising, public relations, and
so forth. The amount of aid given to the employee-manager
is similar in most companies, but the amount of direct control may vary, as some chain firms have embarked upon programs of decentralization.

Here is an extreme example. In one Midwestern city, the river was rising rapidly with spring floods, so that the water was approaching the front door of the store. The manager took a dime from his pocket to make a collect call to New York to get permission to close early.

There may be store managers who are very much interested in the success of their stores and company. These men often operate as efficiently or more so than many managers who own their own stores. This is caused by at least three things. One is the extensive training and indoctrination programs used in preparing the men for their positions. Secondly, the chain store managers have in most cases a lucrative salary and bonus system that adds motivation to their work. The third reason is the very nature of the typical supermarket manager as it has been found by a study of several chains. This study has received considerable discussion both pro and con, but I believe that it has within it, a relatively true picture of the man at the head of the stores in our neighborhoods. Since the pay schedules very considerably, and since most chain stores have a backing similar to that discussed earlier, I will now spend time only on this report of what was found to be the more common store manager. For this portion of the paper, I am

indebted to Super Market Institute who furnished me a copy of the results of the Robert N. McMurry Pilot Study.

This section of the study which discussed what the manager is like is included here, since it points up so well what motivates him to a great extent to be the operator he is.

"The typical store manager is about 40 years old. He comes from a modest social background, but he usually is a high school graduate. He is well-experienced in the food business and he has been with his present company for about 10 years. Not all of his experience is at the manager's level, for he has typically begun at the bottom and worked himself up to this job. His military service was in the non-commissioned ranks. Thus, he is, in most instances, a man who has found working in a super market to be a means of social and economic upward mobility. It has enabled him to pull himself up by his bootstraps into the middle class.

The typical store manager in the group studied is a vocationally stable, hard-working individual who gets along well with other people and who is intensely loyal to his employer. He is anxious to do a good

job and to please his superiors. He has a strong need to feel secure and he is also interested in his status in the community. He tends to be service-minded and cooperative rather than selfish or intensely competitive.

He is a dependent, submissive person, rather than being naturally independent. His leadership of others, therefore, tends to be of a work-centered authoritarian type (the army drill sergeant approach) rather than being based on an ability to inspire or captivate the allegiance of others. He willingly takes responsibility for carrying out established policies and procedures, but he is reluctant to make major decisions on his own. In short, he can be described as 'a good company man'."

This outline has given us an idea of what the typical employee-manager is like. I do not want to imply that this is the only picture that can be drawn, but it is, I believe, representative.

We have the opposite picture here in our food marketing program. These are men who have been store managers and are doing additional college work to prepare them for higher

21. "Guideposts to Better Store Managers" Robert N. McMurry, p. 64. <u>Guideposts for Decision Makers</u> Super Market Institute, Chicago, 1961.

administrative positions in their companies. They are the exceptions, however, at least to the older way of thinking about managerial material. The picture is changing within firms that have programs of decentralization. It is still too early to say how far the firms will go in this program, but it is most likely that in a society such as ours, with its large amount of specialization, many functions will be handled and many decisions made at the central office where experts can be used on matters as they arise in the field. When visiting a successful chain recently I heard the following conversation which made me realize that even with decentralization, the manager does not have a great deal of control over his retail unit which may do over two million dollars in volume per year. "Frank, I see you do not have one of these display stands in use."

"No, I wanted to ask you first, Mr. Johnson, before I took one out on the floor."

These two men were approximately the same age, but one was a store manager and the other was his district manager or supervisor. I am not saying this is bad, but an owner-manager would have put this same item into use if he wanted it or destroyed it if he didn't want it. He would have had

some instructions on its use and suggestions as to when was a good time, but the final decision would have been up to him.

Summary:

The inherent affinity of owner-managers for voluntary or cooperative groups arises from two sources--assistance given and/or ownership. In voluntary chain organizations the attraction is low wholesale prices and specialized services offered by the central warehouse. The cooperatives also have these elements to offer coupled with the fact that the central warehouse is owned by the retail members.

The resultant factor obtained from this pooling of interests is a program that gives the owner-manager the support and help needed to compete effectively with the employee-managed chain store. The chain outlets are held through a central ownership, and they automatically reap the benefits of progressive steps taken by the parent organization. Therefore, affiliation with a strong cooperative or voluntary which implements sound competitive programs is a basic source of strength for an owner-manager.

Chapter IV

CONCLUSION: THE OWNER-MANAGER AND HIS USE OF THE GROUP SUPPORT

The growth of the organized independents in the last ten to fifteen years is ample proof that they can and will get a share of America's food expenditures. This growth is attested to in the records of both the central warehouses and member stores. Since nothing breeds success like success, the history of individual operators in the groups has been used as a selling point in recruiting others to the programs. In many instances, examples may be cited of independent operators who were so successful that they have now become multi-unit operators. This has been a relatively recent development where small chains of two to six stores are built up within a group. It is noticeable in these units that the managers are more like ownermanagers than employee-managers. They seem to feel that they are in partnership with the market owner, although the manager might be working only for salary and bonus. reason for this -- as I have diagnosed it -- is that these managers have a great faith in the independent movement and hope to someday have their own stores in such a group.

Since the independent movement is so highly respected by the owner-manager and by those near him in his organization.

it is imperative that we look at what tangible and intangible motivations the operator has in his position as a group member. These motivations arise through the fact that he has control over the financing, locating, equipping, stocking of his store. In many instances, he has help from the central unit in each of these aspects, but the decisions are arrived at jointly by the retailer and the central office staff of experts. The man under consideration also has control over pricing, advertising, public relations, store operating policies, and personnel functions. On the contrary, these considerations are all attended to by the home office in chain store firms. It was noted in the preceeding chapter, that this control may not hinder some employee-managers from producing good operating results; but control over these functions by the store managers leads to the sense of independency that only owner-managers can experience.

Division of Labor and Interest

With a central organization that handles buying and warehousing, the owner-manager is able to invest his talent, interest, and capital in the retail operation. It is only the service of consumers that needs his attention. The warehouse is staffed with experts to manage its operations,

while the retail merchant is left free to become an expert in his scope of the food business. Because he is an independent businessman, he is cognizant of his role in the community. In this capacity, the owner can concentrate on the provision of goods and services that the population of the community desires. In return for their patronage of his store, the operator may join many civic functions as a local merchant. This interest in the locality and its activities does much to rally the support of potential customers. An unaffiliated operator, on the other hand, would find that he must spend much of his efforts on activities that are better left to a progressive group sponsor. The central warehouse is able to attain a great degree of efficiency on such facets of the food business as purchainsg, warehousing, and transportation. The independent is able to realize greater efficiencies in advertising and sales promotion by combining his needs with those of other retail food merchants through a central program. Both retailer and wholesaler are thus using their respective positions to the greatest advantage.

Profit Motivation

Since the independent is the owner of his store, it is he that will benefit by the profits or suffer by the

For this reason, it is of prime concern to him that the operation be profitable. He has direct control over many factors that effect the earnings of the store. The rent, mark-up, and wage structure are under his jurisdic-Employee managers do not have the final say in any of these areas, although, other types of expenditures including those for supplies, employee overtime, and damage to stock are controllable by both employee and owner mana-The result of direct supervision which the independent merchant can give to this total group of expenses is a greater interest in each individual item affecting the Profit and Loss Statement. He has the incentive of potential profits to motivate him toward an efficient operation. He is in close proximity to the factors affecting the amount of money that is made or lost, and consequently, he has the possibility of being an effective force in the food industry.

Summary:

Independent merchants have always been present in the retail picture. However, in the early part of this century they thought they were threatened with extinction by the chain store movement. The formation of voluntary and cooperative groups helped to stave off this fate. Adjustment to the needs of the public in the opening of

supermarkets also kept the independent on the scene. Still, it has taken even more to elevate the owner-manager to a position of importance in our present market structure. The help has come through a strengthening of the cooperative and voluntary groups. Also, it has come through a realization on the part of the owner-manager that his nearness to the consumer and control over operations are an advantage to be exploited by him. With such developments as these, the independent will remain, even in the face of intensified competition by the chain stores.

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