

STATUS AND TRENDS OF THE SUPERMARKET INDUSTRY

IN

THE UNITED STATES

by

CHRISTIANE M. LIGONNET

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THESIS AND ABSTRACT APPROVED:

George R. Hies

Thesis Adviser

John S. Wagle

Faculty Representative

Fred E. Jewett

Head of Department of Business Administration

W. L. M. M. M. M.

Dean of the Graduate School

256637

PREFACE

Unquestionably, the supermarket industry has been one of the major trade developments of the United States for the past twenty years. From a modest share of the total retail grocery volume in 1930, supermarkets have increased so rapidly that today they supply more than 35.2 per cent of this volume.

This study, therefore, is directed toward giving the student of retailing and those others interested in the retail grocery business a brief presentation of the major role that has been played by the supermarket industry in the advancement of the retail grocery business techniques of merchandising and in the life of the entire nation.

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C. M. L.

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CHAPTER I

DEVELOPMENT OF THE SUPERMARKET IN THE UNITED STATES

What Is a Supermarket ?

Everybody knows what a supermarket is, but yet nobody can give a precise definition.

For the housewife, the supermarket is a huge store, with streamlined fixtures and plenty of light, where she can leisurely walk between large displays of all sorts of foods, groceries, meats, vegetables, and fruits, and spend all the time she wants to take her choice.

For the merchandising expert, the supermarket is much more difficult to define with precise words. The delineation between a supermarket and a large combination meat and grocery store is sometimes very subtle and difficult to determine.

In 1938, W. H. Albers, president of the Super Market Institute, thus defined the supermarket:¹

A supermarket is a store with 7,500 square feet or more of floor space; sales of \$250,000 or more annually; with complete grocery, meat, fruit and vegetable, and bakery departments; selling for cash; with self-service in the grocery department.

In 1940, the Sixteenth Census of Business gave the following definition:²

A supermarket is a large cash-and-carry combination food store (\$100,000 per year of sales is the usual minimum) with its merchandise arranged in open displays permitting individual selection without the assistance of salespeople, whereby operating expense is kept to a minimum by restricting sales service, delivery, and other customer services including credit.

¹ Craig Davidson, "What About Supermarkets", Saturday Evening Post, (September 17, 1938), 23

² Sixteenth Census of Business 1940, Retail Trade 1939, Volume I, 817.

In 1948, the definition given by the Super Market Institute was:³

A supermarket is a departmentalized retail establishment having the four basic food departments -- self-service grocery, meat, produce, and dairy -- plus any other departments and doing a minimum of \$250,000 annually.

Although different in some details, these definitions clearly show the characteristics required from a grocery store to be deemed a supermarket. The most striking feature is that "it is big". It is big in area, at least 5,000 square feet. It is big in sales volume, around \$250,000. In summary, the supermarket is a departmentized store which deals with groceries, meats, vegetables, and fruits, and even household goods. The operating expenses are kept very low by essentially eliminating delivery and credit services. The supermarket is a retail establishment predominantly operated on a self-service basis, at least the four basic departments should be self-service. The two early definitions required that the supermarket be on a cash-and-carry basis; however, the 1948 definition does not mention this aspect. In fact, many large combination stores offering credit and delivery service are considered supermarkets, but they keep such service elements to a minimum.

The volume of sales is the essential factor in defining a supermarket. Definitions 1 and 2 were written during about the same period (1938 and 1940); however, there is a great difference between the minimum of annual sales volume given by the Super Market Institute (\$250,000), and the minimum required by the Census Bureau (\$100,000). The lack of a definite agreement as to the requisite minimum sales volume renders the use of the word "supermarket" somewhat inappropriate for some grocery stores. Many

³ Super Market Merchandising, "Supermarkets in the U.S. 1939-1948", 3.

combination stores operating on a self-service basis and making a high annual sales volume are not easily differentiated from supermarkets. Nevertheless, it will be recalled that the definition of 1948 retained the \$250,000 figure as a minimum requirement for supermarket sales volume.

Types of Supermarkets

The supermarket itself shows differences in structure. Two kinds of variations are found inside the supermarket and generally these variations are interrelated. They involve first the number and kinds of lines carried by the store, and second the ownership of the store and of the various departments.

Two types of supermarkets are found when the lines carried are considered:

1. This type supermarket carries a full line of foods such as groceries, delicatessen products, meats, dairy products, fruits, and vegetables. Such stores are generally found in shopping centers, although some of them are found on Main Street.

2. This second type supermarket carries not only a complete food department, but adds a soda and lunch department, a drugs and cosmetics department, and some departments featuring speciality lines such as hardware, paints, auto accessories, and even women's apparel.

From the point of view of the ownership of the store, three types of supermarkets can be considered:³

1. "The public market, full concession type of supermarket" is not a recent development. It is a large building that the owner does not

³ Charles F. Phillips, Harvard Business Review, Part I, Winter Number 1958, pp. 188-200.

operate himself, but leases space to a large number of merchants. The location is generally on a fixed-rental basis plus a certain percentage of sales. However, the owner may provide some services such as refrigeration, control of the merchandise, and perhaps share part of the advertising expenses. An example of such markets is the Crystal Palace Public Market of San Francisco. These public markets are the type of supermarket carrying not only a complete food line, but also non-food lines such as cosmetics, clothing, and specialty goods.

2. "The mixed owner-and concession-operated type of supermarket" had the most rapid development during the years of depression. It was considered the typical supermarket. Generally, the owner operates the grocery department and related food lines, while he leases other departments to skilled tradesmen to merchandise paint, cosmetics, and women's and children's apparel. The grocery department attracts the trade by its low prices. This supermarket has a large sales volume, but it profits the owner mostly by the reason of the rentals. An example of such a market is the Big Bear Market in New Jersey and Massachusetts.

3. "The non-concession type" is generally smaller than the two others. It does not occupy so large an area and it has not so important a volume of sales. This supermarket is more often of the type that carries a full line of food products but no non-food lines; however, the modern trend is now, even for the non-concession type of supermarket, to add non-food departments. This trend will be discussed later.

This kind of supermarket is better equipped and better located than the other two types. It is self-service and cash-and-carry to a very large degree. It may be only a single-unit operation or may be a multiple-unit chain store.

Development of the Supermarket

When did the supermarket appear in the picture of retail food distribution ?

The tendency is to believe that the idea of the supermarket has been a consequence of the depression days. Although it is true that the general rise and the expansion of the supermarket institution occurred during the early thirties, it is a well-established fact that tests had been made with such stores long before those days. In 1912, the Los Angeles Alpha Beta Stores experimented with self-service. In 1916, the Piggly-Wiggly Stores promoted the "cash-and-carry" idea, and the chain stores had already shown the economies of mass buying.

It seems that the supermarket first developed, in the twenties, in California with the "drive-in-markets" where groceries, fruits, hardware, shoes, clothes could be bought at low prices from concessionaires. These markets perhaps gave the idea, in 1930, to Michael J. Cullen, an A. & P. executive, to open a huge market in a large empty garage near New York City. He named this store the King Kullen. He ran the grocery department and rented space to concessionaires selling non-food lines.

The depression days helped this new kind of market to grow; the housewives, attracted by the low prices, began to patronize the store.

Then, other supermarkets followed the movement. In 1932, R. M. Otis and R. C. Dawson opened the Big Bear Supermarket in an old empty plant at Elizabeth, N. J. and a second one in Jersey City. The same year, a department store named "Packard" innovated in establishing a supermarket under single ownership in Hackensack, N. Y. This supermarket offered

everything from groceries and clothes, to services like haircuts and shoe repairs.

Contributing factors which brought about the idea of the supermarket form of store are difficult to determine. Perhaps this development was the natural consequence of efficient small operators expanding their business; perhaps it was due to the imagination and ability of their originators; perhaps it was akin to the success of the department store, and resulted from "the consolidation of many relatively small grocery and combination stores into a smaller number of larger stores..."⁴

Some people believe that the supermarket is a consequence of the depression, but, starting in the 1920's, the idea took more and more shape. However, it is a fact not to be denied that the depression days advanced the realization of this idea by offering the favorable moment for the experiment. Other factors that hastened the growth of the supermarket were the facts that the car was becoming increasingly popular and roads were improving.

As has been said previously, the supermarket first developed in Southern California around Los Angeles. In 1929, this city counted 25 supermarkets with a sales volume of \$3,509,000; in 1935, it boasted of 193 supermarkets with a sales volume of \$35,908,000. These were mainly food stores of the non-concession type carrying a few non-food lines.⁵

Then, the development spread out all over the country with a tremendous

⁴ Sixteenth Census of Business 1940, op. cit., 817.

⁵ Charles F. Phillips, op. cit.

rapidity. The years 1933, 1934, 1935, and 1936 were particularly significant in the opening of supermarkets:

January 1935 saw the opening of 400 supermarkets,
 January 1936 saw the opening of 800 supermarkets,
 November 1936 saw the opening of 1,232 supermarkets.⁶

Thus, from year to year, the supermarket development progressed with an increased rapidity. In 1939, M. M. Zimmerman, Editor of Super Market Merchandising, gave the following figures on the number of supermarkets then in operation:⁷

1930-1931 : 200 or 300 supermarkets,
 1936 : 1,200 supermarkets,
 1937 : 3,000 supermarkets,
 1938 : 3,700 supermarkets.

If the Super Market Institute definition is to be observed, each of the stores he considered was making over \$250,000 sales volume. In 1940, the Sixteenth Census of Business gave the following figures:

TABLE I
SUPERMARKETS IN THE UNITED STATES (1940)

Self-Service Stores	Number of Stores	Sales (000 omitted)	% of total sales ^x
\$ 300,000 and over	1,224	\$585,669	7.6
250,000-299,999	436	118,957	1.5
200,000-249,999	647	142,867	1.8
150,000-199,999	1,214	208,147	2.7
100,000-149,999	2,700	326,904	4.5
	6,221	\$1,380,544	17.9

^x % of the total \$7,721,755,000 grocery and combination store sales.

⁶ Charles F. Phillips, op. cit.

⁷ M. M. Zimmerman, "Facing 1939", Super Market Merchandising, (January 1939).

The Census Bureau considered a supermarket as a food store with at least a volume of \$100,000 annually. As the above table shows, there would have been 6,221 supermarkets; however, if only the stores making \$250,000 minimum sales volume are to be considered, there would have been 1,660 supermarkets in 1940. The size of sales being the principal obstacle to an agreement on a precise definition at that time, accurate figures as to the number of supermarkets are difficult to obtain.

After 1939, the growth of the supermarket continued steadily. From 1940 to 1942, there had been an increase from 6,175 to 9,011 in the number of supermarkets (See Table 2); that represented an average of 940 openings per year. Of course, there had been an increase in their sales volume too; estimating \$2,000,000,000 sales volume for 1940 and \$3,000,000,000 for 1942, the increase had been half the 1940 volume, closely approximating the actual increase in numbers of such stores.

The outbreak of the war slowed down the expansion of supermarkets: "Super Market Institute officials say that supermarkets were opening at the rate of 100 a month during 1941 and early 1942. They estimate that openings now have slowed down by 10 to 25 a month"⁸. However, not even during the war did the supermarket suffer. The rationing of tires and cars did not affect them too much. In one way, the rationing helped them because consumers preferred to shop under one roof. This was facilitated by the trend to transform supermarkets into complete trading centers. In residential area, the housewife had to go to primary or secondary trading areas at a considerable distance to get every household article she needed. She could buy the food at the supermarket at the same time. Thus, she bought at the supermarket anyway, but in larger quantity. In the rural areas, the farmer had not been so much affected by rubber rationing; they shopped less

⁸ "Supers Carry On", Business Week, (October 3, 1942), 60-61.

often, but did a greater volume of buying at one time. Moreover, the war even greatly promoted self-service stores because the situation created by the shortage of employees was ideal for their development. This is demonstrated by the fact that even with the addition of only 564 units in the number of supermarkets from 1942 to 1945 (that is a small increase of one-sixteenth), supermarkets made \$1,500,000,000 more sales volume, half the 1942 volume increase (See Table 2). This emphasizes the advantage of self-service under conditions of labor scarcity.

TABLE 2

HOW SUPERMARKETS HAVE GROWN⁹

1940 - 1949

<u>Years</u>	<u>No of Supers</u>	<u>Super \$ Volume</u>
1940	6,175	\$2,000,000,000
1941	8,175	2,500,000,000
1942	9,011	3,000,000,000
1943	9,100	3,500,000,000
1944	9,460	3,600,000,000
1945	9,575	4,500,000,000
1946	10,057	5,500,000,000
1947	10,846	7,000,000,000
1948	11,970	7,780,500,000
1949	13,089	8,507,850,000

From the end of the war in 1945 to 1949, the supermarket resumed its rapid growth at almost as fast a pace as before the war. This pace represented about 878 store openings average per year. Particularly significant was the year 1949 with 1,119 openings. One striking fact was the tremendous increase in the volume of sales secured by supermarkets. This volume mounted from \$4,500,000,000 in 1945 to \$8,507,850,000 in 1949, thus almost doubling in four year's time (See Table 2).

⁹ "1949 Proved Monumental For Industry", Super Market Merchandising, (January 1950), Table I, 1.

HOW SUPER MARKETS GREW



 IN NUMBERS
 = 1,000 SUP. MARKETS

 IN SALES
 = \$ 1,000,000,000

Compared with the grocery and combination store sales for the entire United States, the rise of the supermarket has been highly significant. "The ratio of supermarkets to grocery and combination stores was 19.4 per cent in 1939. By 1947, it had risen to 29 per cent"¹⁰, and in 1949, "estimates by Super Market Merchandising indicate that the industry has captured 35.2 per cent of the grocery and combination store business"¹¹. Thus, supermarkets, representing only 3 to 4 per cent of the United States' grocery and combination stores, accounted for 35.2 per cent of the sales volume !

Supermarket Development and Distribution by Region.

The supermarket spread all over the nation; however, certain regions adopted this change in food distribution more readily than others.

During the first decade of growth, certain parts of the South and of the Middle West did not experiment with the supermarket. In 1930 and 1931, practically all supermarkets were located in the South West and on the Pacific Coast. Then, the supermarket expanded in the Eastern part of the United States. The following figures were given for November 1950¹²:

California	329	supermarkets,
New York	207	"
Michigan	194	"
New Jersey	109	"
Massachusetts	51	"
Connecticut	51	"
Illinois	48	"
Others from 2 to 4 supermarkets.		

¹⁰ "Super Markets in the U.S. 1939-1948", op. cit., 13.

¹¹ "1949 Froyed Monumental For Industry", op. cit.

¹² Charles F. Phillips, op. cit.

California still came first, but it was closely followed by the Middle Atlantic States.

In 1939, M. M. Zimmerman recorded the following figures showing that the East and West North Central States increased tremendously their number of units, but the Pacific and Mountain States remained first with 42.2 per cent of supermarkets.

TABLE 3

NUMBER OF SUPERMARKETS AND THEIR DISTRIBUTION BY REGION (1939)¹³

<u>Regions</u>	<u>No of Super-</u> <u>markets</u>	<u>Population</u> <u>% of U.S.</u>	<u>% of Super-</u> <u>markets</u>
New England	269	6.6	7.4
Middle Atlantic	586	21.4	16.0
East North Central	690	20.6	19.0
West North Central	204	10.8	5.6
West South Central	188	9.9	5.2
South Atlantic	137	12.9	3.8
East South Central	28	8.1	0.8
Pacific-Mountain	1,535	9.7	42.2
	3,657	100.0	100.0

It is interesting to note that 84.6 per cent of supermarkets were located in the four areas, New England, Middle Atlantic, East North Central, and Pacific States which comprised only 58.3 per cent of the total population of the United States.

The Sixteenth Census of Business in 1940 compiled a complete list of supermarkets by section of the country (See Table 4). This list was interesting because for the first time the percentage of sales volume secured by supermarkets in each area was recorded. Like the number of

¹³ M. M. Zimmerman, "Facing 1939", op. cit.

units, this percentage indicated the leading groups of states: Pacific, Mountain, and Middle Atlantic States. The West North Central and East South Central States were still far below.

TABLE 4
DISTRIBUTION OF SUPERMARKETS AND THEIR SALES VOLUME BY REGION (1940)¹⁴

Sections	No. of Super- markets	Sales (000) omitted	% of Food Sales in area
Pacific	1,406	\$ 262,053	33.4
Mountain	432	74,819	27.7
Middle Atlantic	1,293	352,214	19.9
W. S. Central	690	117,968	19.0
E. N. Central	896	235,896	14.9
South Atlantic	516	120,766	14.3
New England	333	92,849	13.1
W. N. Central	460	67,845	11.8
E. S. Central	195	56,134	9.3
Total:	6,221	\$1,380,544	

Presently, a study made in 1948 by the Super Market Institute shows a breakdown of supermarkets by state and section of the United States (See Table 5). The figures vary considerably from one state to another. Among the leading states are California, New York, Pennsylvania, Ohio, Texas, New Jersey, Michigan, Massachusetts. These eight states yield 57.5 per cent, almost three-fifths, of the United States' supermarket volume. California rates first by far, accounting for almost twice as much sales volume as New York which runs second.

At the bottom of the scale, Vermont, North Dakota, New Mexico, Utah, Wyoming, and Delaware rate among the lowest, producing only 1.9 per cent of the total United States' supermarket volume.

¹⁴ "Sixteenth Census of Business 1940", *op. cit.*, 817.

TABLE 5

NUMBER OF SUPERMARKETS AND THEIR DISTRIBUTION BY STATE¹⁵

State & Region	No of Supers	Super \$ Volume (add 000)	% of U.S.	Rank
* U.S. Total	10,885	\$6,999,600	100.0	
New England	766	502,004	7.5	
Mass.	426	303,286	4.4	8
N. H.	44	25,531	.3	41
R. I.	67	41,929	.6	31
Conn.	156	87,655	1.3	21
Me.	45	39,486	.6	32
Vt.	28	24,565	.3	42
Middle Atlantic	2,317	1,474,757	21.5	
N.Y.	985	582,134	8.4	2
N.J.	556	394,027	5.7	6
Pa.	776	512,036	7.4	3
South Atlantic	1,140	731,655	10.1	
Del.	14	9,067	.1	49
Md.	127	96,272	1.4	18
D.C.	50	38,522	.6	33
Va.	140	68,812	1.0	25
W. Va.	62	37,750	.5	34
N.C.	138	81,673	1.2	23
S.C.	131	63,603	.9	26
Ga.	158	87,397	1.3	22
Fla.	320	217,303	3.1	11
East North Central	2,229	1,444,917	20.4	
Ohio	620	401,938	5.8	4
Ind.	267	189,393	2.7	12
Ill.	540	299,685	4.3	9
Mich.	564	388,111	5.6	7
Wisc.	238	137,732	2.0	13
East South Central	290	158,138	2.2	
Miss.	56	26,943	.4	39
Ky.	76	45,660	.7	30
Tenn.	98	47,139	.7	29
Ala.	60	29,711	.4	36

TABLE 5 (continued)

State & Region	No of Supers	Super \$ Volume (add 000)	% of U.S.	Rank
West North Central	1,124	690,904	9.6	
Minn.	173	94,150	1.4	19
Iowa	217	126,884	1.9	14
Mo.	352	230,423	3.3	10
Nebr.	106	57,686	.8	27
Kans.	182	99,037	1.4	16
S.D.	58	31,576	.5	35
N.D.	36	23,152	.3	43
West South Central	896	605,607	8.9	
La.	128	90,484	1.3	20
Okla.	133	97,494	1.4	17
Tex.	594	398,015	5.8	5
Ark.	41	26,367	.4	40
Mountain	365	188,233	2.7	
Arizona	62	29,004	.4	37
Colo.	103	51,705	.7	28
Idaho	42	17,685	.3	45
Mont.	48	27,525	.4	38
Nev.	21	14,920	.2	46
N.M.	38	18,200	.3	44
Utah	27	12,605	.2	47
Wyo.	24	11,576	.2	48
Pacific	1,719	1,105,489	17.1	
Calif.	1,466	1,000,278	14.4	1
Ore.	83	104,118	1.5	15
Wash.	170	81,031	1.2	24

* The sales figures of supermarkets for the different regions do not add to give the U.S. total sales volume. Super Market Merchandising followed this process: "Total U.S. Super volume is derived from number of Supers multiplied by national sales average. Sales of Supers in each state are weighted for average sales of Supermarkets in the different states".

¹⁵ "Supermarkets in the U.S. 1939-1948", Super Market Publishing Company, N. Y., Table I, 7.

Table 5 also presents supermarket volume ranking by section of the nation. Here too, the variation is great from section to section of the country. Although at the end of the thirties the Pacific States rated first, presently the Middle Atlantic and East North Central States have surpassed them and respectively rank first and second. The Middle Atlantic states now secure more than one-fifth of the nation's supermarket volume.

Rating lowest in the list, are the New England, the Mountain, and the East South Central States. This last section secures only 2.2% of the nation's supermarket volume.

In conclusion, all during the development of the supermarket, the various states and sections of the country have almost constantly kept their respective ranks, but all without any exception have progressed.

Supermarkets Distribution by City

The supermarket, by definition, requires a large volume of sales. One of the consequences is that supermarkets are only found in cities with a fairly high concentration of population, at least around 10,000 inhabitants. This fact is revealed by the Super Market Institute estimate that, in 1948, 84.7 per cent of the total number of supermarket units were concentrated in cities of 10,000 people and over.

Chains and Supermarkets

The first supermarkets were operated on an independent and one-store basis. Then, as the supermarket idea spread, the successful independently

owned supermarkets grew into chain store operations, such as the "Big Bear" and the "King Kullen" supermarkets, previously mentioned.

The supermarket, as it succeeded, began making many enemies. These enemies were the smaller independents, the wholesalers, and the old-line grocery chains.

The small independent grocer could not do much, but he tried to organize independent grocers' associations to fight the opening of supermarkets in their trade areas.

As to wholesalers, they did not like the supermarket merchandising policy of selling at low price. First, supermarkets operators arranged to get the merchandise from wholesalers with large discounts. Then, they went directly to the manufacturer. To counter this action, wholesalers began opening their own stores and many of them completely abandoned wholesaling.

Other discontanted grocery stores were numerous chains. They had thought that the supermarket would pass with the depression, but, in 1934, they saw that, on the contrary, supermarkets were growing and presented a real danger for them. To fight the independent supermarket, chains slowly adopted the same basic idea. First, they established combination meat and grocery stores called "food markets" or "master markets"¹⁶. Then, they opened their own supermarkets, even in areas where some of their small stores were established, sometimes under different names. The first chains to start opening supermarkets were the large national chains such as the Great Atlantic and Pacific Tea Company, the American Stores, the Kroger Stores (Pay'n Talk Super), and Safeway (Sunny Jim Markets).

¹⁶ "Chains Go Supermarket", Business Week, (Mat 1, 1937), 44-47.

The trend of "chains-going-supermarket" was accentuated by the fact that 22 states levied taxes on chain stores in proportion to the number of stores operated by each within the state.

In similar manner to experiments conducted by independent retailers before 1929, some chains had been testing the idea of adding fruit, vegetables, and meat to their lines of groceries. Figures give a striking proof of the shifting from straight-grocery stores to combination stores:¹⁷

	<u>Number of Stores</u>	
	<u>1929</u>	<u>1935</u>
Straight-grocery stores	191,876	188,738
Combination stores	115,549	166,233
	<u>Sales</u>	
Straight-grocery stores	\$3,449,129,000	\$2,202,607,000
Combination stores	3,903,662,000	4,149,813,000

Then, chains opened supermarkets and closed their smaller stores. In 1937, the A. & P. Company closed 3,000 small stores and, by 1940, it had reduced its 15,000 corner-grocer stores to 10,000 stores of which 1,500 were supermarkets and many self-service.¹⁸

The following figures show the same trend among other national chains, Safeway, First National, and Kroger.¹⁹

¹⁷ Charles F. Phillips, "Yes, Supermarket Grows, but There's a Limit.", Printers' Ink, (July 28, 1939), 25-32.

¹⁸ "Rise of the Supermarket", Management Review, No. 29, (December 1940), 439-441.

¹⁹ "Whither Supers?", Business Week, (August 30, 1941), 34-36.

	<u>Number of Stores</u>	<u>Average Sales per Store</u>
<u>Safeway:</u>		
1939	2,967	\$130,058
1940	2,671	149,503
<u>First National:</u>		
1939	2,244	55,358
1940	2,137	61,320
<u>Kroger:</u>		
1939	3,958	61,485
1940	3,727	69,255

The chains' supermarkets were first established in their own warehouses. Chains brought in the fixtures and equipment of small stores they had closed, so that the capital investment was very low. Then, as the development of supermarkets increased, modern buildings and new fixtures were provided.

There were two main differences between the chain supermarket and the independent supermarket. One was that the chain supermarket had no leased departments because chains are well equipped to handle vegetable and fruit departments, meat departments, accessories, and hardware departments. The other difference was that the independent supermarket traded only nationally-advertised brands; whereas, chains introduced their well-known private brands that they could move at a better profit. Grade labeling promoted acceptance of private brands by customers.

The following figures clearly demonstrate the hold of chains on supermarkets:

In 1930, only independent operators owned supermarkets. In 1957, there were 3,066 supermarkets and 62.39% of all the supermarkets were chain operated.²⁰

²⁰ Frank E. Landau, "73% of Supermarkets Concentrated in 3 Areas", Chain Store Age, (March 1958).

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Regular chains operated	45.96%	of supermarkets with 1,409 units,
Supermarkets chains operated	16.45%	of supermarkets with 504 units,
Independents operated	37.61%	of supermarkets with 1,153 units.

However, in 1948, independent-operated supermarkets had gained back over chain-operated supermarkets and there were about two supermarkets operated by independents for one supermarket operated by chains²¹.

During the war, the progress of supermarkets was very slow, only about 600 were opened, but these supermarkets were mostly opened by independents and regional grocery chains.

²¹ "Rise of the Supermarket", op. cit., 441.

CHAPTER II
MANAGEMENT POLICIES

The supermarket has revolutionized food distribution, merchandising and advertising. The methods that were applied by the old-line grocery store were no longer effective to solve the supermarket's own merchandising problems. The supermarket really originated a new area for the field of food retailing.

Wholesalers, who used to distribute to many small retail stores, found it easier and more profitable to distribute to a small number of supermarkets. Manufacturers of nationally advertised foods who were, at first, reluctant to deal with supermarkets, soon recognized that they would before long be their best retail outlets. Small grocers, although angry at the supermarket tremendous growth, adopted some features of its merchandising methods, trying to better their own. Even big national chains which thought they had found the best answer to the food distribution problems, adopted the supermarket solution.

The principal appeal to attract customers when the supermarket first started was low prices. Beginning with the depression of the early thirties, the supermarket could not have devised better appeal to the customer.

How could the supermarket undersell its competitors? Several factors of varying importance were involved. The basic idea was for the supermarket to operate at very low cost, to secure the merchandise at very low prices, and to sell it at a very low mark-up in large quantities, thus accelerating the turnover. The idea was theoretically sound, but difficult to realize; however, the supermarket offered all the possibilities

to work that program.

There are no extensive studies that demonstrate that supermarkets undersell all other retail food outlets; but there have been many observations and comparisons of a large enough number of markets to show that lower prices are common in such stores. Don Parson, Executive Director of the Super Market Institute says that supermarkets have cut 25 per cent of the corner grocery store cost of distribution¹.

In 1943, Business Week carried a tabulation of the new community price ceilings in the District of Columbia (utilizing 600 commodities for the sample)². Grocery stores were divided into four classes. Class I, representing the small independent store with less than \$50,000 sales volume a year, was taken as the 100 basis of comparison; class II representing the larger independent with from \$50,000 to \$250,000 sales volume a year averaged around 95; class III representing the ordinary chain-store unit averaged around 84; finally, class IV representing the independent or chain owned supermarket showed the lowest average 82.5. The following list of some food articles gives an idea of the price differences between these different grocery stores:

¹ Don Parsons, "A Merchandising Approach to 'More for All'", Address to the Super Market Institute, 1949.

² "Independents Gain at Chain Store Expense", Business Week, (June 12, 1943), 88.

TABLE 6
INDEX OF CERTAIN COMPARATIVE GROCERY PRICES

AT SELECTED CLASSES OF STORES

Commodities	Class I Stores	Class II Stores	Class III Stores	Class IV Stores
Canned baby foods	100	98	87	84
Bananas	100	100	77	77
Canned beets	100	97	87	85
Butter	100	100	95	95
Canned carrots	100	98	88	85
Canned corn	100	98	85	83
Cheese	100	100	86	86
Canned fruit cocktail	100	98	85	83
Condensed milk	100	100	90	90
Shortenings	100	100	87	85
Canned tomatoes	100	99	85	84
...

The difference in prices between Class III and Class IV stores was mostly due to the difference in operating costs; whereas, the difference between Class I and Class IV was accounted for not only by lower operating costs, but also by the mass buying and mass selling policies of supermarkets. This is demonstrated in a survey of prices in various types of grocery stores³. Supermarkets were 2 per cent lower than chain stores and 8 per cent lower than regular service stores.

How did the supermarket operate at low cost? Various elements were involved on which the supermarket's operator could save. Supermarkets were located in low rental districts of cities where large spaces of land could be bought for almost nothing. They opened in empty factories,

³ C. J. Courtney, "Omaha Survey Shows Super Prices Lower", Super Market Merchandising, (April 1939), 33-34 & 47.

in old buildings that carried low rentals and were poorly equipped. They eliminated the warehousing expenses -- their warehousing was generally installed in the supermarkets' backrooms -- thus saving also on transportation and labor costs. One of the most important elements in reducing operating costs was the payroll reduction, the number of employees being drastically reduced by self-service.

Still another feature of the supermarket that saved money was the "cash-and-carry" policy. Credit and delivery had been one of the important handicaps of the old-line grocer in efforts to lower his prices. Delivery costs include depreciation of the truck; gas, oil, tires, repairs, insurance, and salary of the driver. They account for from 1 1/2 to 2 per cent of the gross volume.

Chains found it very profitable to open their own supermarkets. Table 7 shows that the Great Atlantic & Pacific Tea Company supermarkets could operate at a lower cost than its neighborhood units. Rent and salaries enable the greatest savings. The supermarkets' sales expenses are about 7.5 per cent less than those of the neighborhood unit. This is the reason the chains quote lower prices in their supermarkets.⁴

How do supermarkets purchase the merchandise at low prices? Many supermarkets obtain merchandise from wholesalers at lower prices than those given to small stores. As they buy in large volume, they receive advantageous quantity discounts. Then, some of the largest supermarkets

⁴ N. M. Zimmerman, "How and Why Supermarket Idea Brings Profit to Chain Systems", Printers' Ink, (January 19, 1939), 55-59.

buy directly from the manufacturer. Thus, by eliminating unnecessary intermediaries in the transactions, supermarket operators are able to secure the merchandise at lower cost.

TABLE 7

COMPARISON OF SUPERMARKET AND REGULAR GROCERY EXPENSE RATIOS

Items	A. & P. Super		A. & P. Typical Unit	
	% per store week	Rate on Sale	% per store week	Rate on Sale
Sales	\$13,741		\$943	
Salaries	852	.0620	80	.0848
Depreciation & Deferred opening expense	69	.0050	6	.0064
Rent	108	.0078	19	.0201
Advertising	137	.0100	22	.0233
Supervision	28	.0020	8	.0085
Warehouse handling	34	.0025	6	.0064
Delivery to Stores	156	.0013	9	.0095
Administration	49	.0136	16	.0170
Supplies	55	.0040	3	.0032
Ice-water & Electric Current	40	.0029	3	.0032
Miscellaneous Store Expense	187	.0136	16	.0170
Total expense	\$1,715	.1247	\$188	.1994

During the first years of the supermarket growth, many manufacturers were wondering as to the longevity of supermarkets. They were afraid that, if they cooperated closely with them, other food outlets would perhaps resent it and might shift to other manufacturers. As supermarkets succeeded and showed that they were here to stay, food manufacturers, especially those promoting nationally advertised brands, found it profitable to deal more closely with them. Soon they understood that supermarkets would be their chief outlet and would enable them to fight the keen competition of the big chains' own private brands. Indeed, as they had been growing, national chains, such as the Great Atlantic & Pacific Tea Company and Kroger

developed their private brands and nationally advertised them. Moreover, the A. & P. Co. started grade labeling their products, thus making it easy for the customer to select the quality of merchandise wanted. Large food manufacturers soon found that these private brands were dangerous competitors. Supermarkets, in decided contrast, offered manufacturers the opportunity to dispose of their merchandise in large quantities. They sold on a self-service basis and had no clerks to push unknown brands. They, therefore, had to use well-known brands that would sell themselves and be a guarantee of quality to the consumer, because the "quality" factor had as strong an appeal to the customer as the "price" factor. Moreover, supermarkets found it profitable to sell the nationally-advertised brands of frequently purchased commodities, such as coffee, butter and other shortenings, sugar and canned goods below or slightly above their cost, using them as "loss-leaders" to attract customers to the store. The use of loss-leaders attracted bargain hunters who bought not only these articles, but also all the food products they needed. To help independent supermarket operators to compete with chains, some national manufacturers gave them an advertising allowance; for instance, Del Monte offered an extra 2 per cent advertising allowance on its products.

An important feature of the supermarket's methods of operation has been its extensive advertising and sales promotions. These methods were relied upon to make their low prices on national brands known to the public. Newspapers sometimes carried full pages of their advertisements; also weekly handbills were distributed.

How do supermarkets sell at a very low mark-up? Many supermarkets

are able to make a profit with a gross margin of 10 per cent to 14 per cent on sales. Their average margin was about 12.8 per cent, in 1940.

A comparison between the average mark-up found in all grocery stores and the supermarket's mark-up shows the importance of the difference. The average mark-up in other food stores was around 25 per cent for groceries, and between 35 and 40 per cent for produce, meats, and delicatessen items; whereas, in supermarkets, the average mark-up was 14.4 per cent for groceries, 24.1 per cent for produce, 24.8 per cent for meat, 24 per cent for delicatessen.⁵

Supermarkets made their profit not on the individual item, but on their mass selling. Super Market Merchandising says: "Based on all available sales data, we have estimated that the 1947 average volume of a supermarket approximates \$645,000".⁶ Supermarkets have the possibility of displaying from 5,000 to 10,000 non-perishable items. Thus, this mass-display enables supermarkets to diminish the selling price of each item and to increase the amount of purchases per customer, resulting in a faster stock turnover. Some supermarkets are open during long hours, sometimes very late in the evening or even all night long. They count from 5,000 to 10,000 customers weekly, 56 per cent of these customers spend \$5 or more and 23.5 per cent spend \$10 or more.⁷

⁵ M. M. Zimmerman, "Supermarket, Miracle of Modern Merchandising; How and Why It Grew", Printers' Ink, (December 15, 1938), 15-18 & 81-82.

⁶ "Supermarkets in the U.S. 1939-1948", op. cit., 5.

⁷ M. M. Zimmerman, op. cit.

The average supermarket sale per customer is about 5.6 times the chain store's. A big store not only attracts a greater number of customers, but, by displaying more items, it stimulates the consumer's desire to buy more. As she is already in the store and has all the products she needs ready at hand, there is no use for her going to another grocery. She does all her shopping in the supermarket. In a survey made by "This Week Magazine", in 1949, with figures furnished by Colonia Stores, it was found that large stores (3 or 4 times more floor area than smaller stores) attracted 3.16 times as many customers. The average check ran 2.58 times that of a small store. This demonstrates that "big stores sell more per square foot than small stores".⁸ A store 3 or 4 times larger than a small one will enjoy a sales volume about 8 times greater. Thus, supermarkets, although selling at a very low mark-up, are able to make a high profit thanks to the tremendous volume of sales they secure.

As it grew, the supermarket went through many modifications. Like the chain store in the late twenties, the supermarket went through a natural evolution and reached the "trading-up" stage of its development around 1939. Instead of locating their stores in thickly populated industrial districts, supermarkets shifted toward better residential districts. They realized that middle and upper income level classes would never patronize stores located in poor districts; whereas, the lower class would not hesitate at shopping in residential districts if they were offered attractively low prices. Then, cheap and old supermarket buildings, fixtures,

⁸ "Size Means Sales", Business Week, (June 13, 1949), 70-72.

and equipment gave way to more modern and better ones. Many supermarkets began offering services, such as delivery. Large supermarkets, to counter-balance their impersonalized selling methods, hired hostesses to help and advise customers, and bus-boys to wait on them and carry their packages to cars.

This "trading-up" of supermarkets was a natural evolution, but also a means to compete with the increasing number of new supermarkets. As they succeeded, many new supermarkets opened and engaged in keen competition with those already established. Their average volume of sales declined and their operating expenses increased from 12 per cent to 16 per cent and more, dangerously reducing their profits. They used loss-leaders more extensively to attract the consumer, but this policy was followed by every supermarket and, in places of keen inter-supermarket competition, it was ineffective. Moreover, some state legislatures, like in California, passed Unfair Practice Laws to keep prices of certain items at cost plus a reasonable margin of 6 or 8 per cent minimum. Nevertheless, operators cut prices on other exempted items.

Thus, the supermarket industry is moving ahead. It is building brand-new, up-to-date buildings with streamlined fixtures and modern equipment. It keeps its prices down by eliminating waste, increasing its operating efficiency, and developing its merchandising methods. The industry is extending self-service to more departments and stressing the importance of mass-display techniques, packaging, and prepackaging. The trend is toward more emphasis on sales promotions and advertising, together with closer cooperation between manufacturers and operators.

1. Trend in Supermarket Buildings and Fixtures

From the start of the supermarket to the present days, a great change has been taking place in physical appearance of such stores.

In the beginning, supermarkets were found in old buildings, such as former warehouses and empty factories. An example of this is the early supermarkets in the eastern and northern states. The first Big Bear Supermarket occupied an empty auto-assembly plant in New Jersey; the first King Kullen Supermarket opened in an empty garage near New York City. Not only the buildings, but the fixtures also were old and cheap. When chains entered the supermarket field, they very often took the fixtures from the small old-line grocery stores they had closed and put them in their new supermarkets. In the early thirties, the supermarket was still an experiment in which operators did not want to invest too much capital. As the idea succeeded, supermarkets remodeled their old stores along more modern lines. To secure more and more sales volume, they opened larger stores with spacious and convenient parking areas. They employed architects and engineers to solve supermarkets' special problems. "Andrew Williams, when he planned his Oakland Supermarket to do a \$5,000,000 volume, spent a half-million dollars on plant and equipment".⁹

During the World War II, the supermarket industry did not build many stores, but as soon as the war ended, more elaborately constructed and better-equipped new buildings began to spread out everywhere in the country. The years 1947 and 1948 were already important in the expansion

⁹ M. M. Zimmerman, op. cit.

of supermarkets, but 1949 was still more significant.

TABLE 8
THE 1949 SUPER¹⁰

Type of Market	Percent of New Markets	Size (sq. ft.)	Parking lots (sq. ft.)	Check stands	emp-loyees	Traffic
Small	34.5	3,000- 4,000	7,000- 8,000	2- 3	5-10	3,000- 4,000
Medium	36.2	7,000- 8,000	12,000-13,000	4- 5	20-25	6,000- 7,000
Large	20.4	12,000-13,000	21,000-22,000	7- 8	40-45	9,000-10,000
Extra-Large	8.9	21,000-22,000	24,000-25,000	9-10	70-75	18,000-20,000
Average		8,000- 9,000	13,000-14,000	4- 5	20-25	6,000- 7,000

Traffic figures are based on the number of customers per week anticipated by Supermarkets when they opened.

Table 8 shows the kinds of supermarkets that were built in 1949. 34.5 per cent are small size markets (3,000 to 4,000 sq. ft.); however, almost 30 per cent are large and extra-large (12,000 to 22,000 sq. ft.); but the medium size supermarket is the most generally built representing 36.2 per cent of the new buildings.

There is a difference in the supermarket size from section to section of the country. In the East, except in the Middle Atlantic States, the trend is for smaller supermarkets, while in the West, the trend is for larger stores. This is a consequence of the scarcity of wide and cheap location areas in the East; whereas, in the Mid-West and West, large vacant lots are available at very low prices. The average supermarket size in the United States is 8,617 square feet. The Super Market Institute gives the average size by region:

¹⁰ "1949 Proved Monumental For Industry", op. cit.

TABLE 9
AVERAGE SUPERMARKET SIZE BY REGION¹¹

Regions	Size (sq. ft.)
West North Central	6,798
South Atlantic	7,131
West South Central	8,406
East North Central	8,502
Middle Atlantic	9,550
Mountain	9,675
Pacific	11,316

The Table 9 shows that supermarket size somewhat corresponds to the extent of market expansion in each section of the country; the Pacific, Mountain, and Middle Atlantic States regions that rate foremost in the supermarket development, are also noted to boast the largest supermarkets.

"A supermarket has to offer parking facilities if it wants to compete".¹² Surveys have revealed that most supermarket customers have cars and come from farther than one mile distance and sometimes as far as fifteen or twenty miles. The problem of securing a large enough space to make a parking lot is very serious and sometimes very difficult to solve. It is more and more important as competition between supermarkets themselves becomes keener.

A survey conducted by the Super Market Institute on 1,119 supermarkets yielded 270 returns which indicated that about 55 per cent of the supermarkets have parking lots. The Super Market Institute estimates the median size of the average parking lot to be 13,530 square feet, about one and one-half times the average market size.¹³

¹¹ Ibid.

¹² Craig Davidson, "What About Supermarkets", Saturday Evening Post, (September 13, 1938), 28.

¹³ "1949 Proved Monumental For Industry", op. cit.

The parking lot size can vary from one and a half to three times the store size. There is a tendency for small supermarkets to build bigger parking areas in proportion to their size than large stores. The ratio of parking area to market area varies little from section to section of the country; however, in California, it can reach three times.

According to Mr. Applebaum, "the composite 'ideal' size supermarket is considered one with an overall floor area of 11,700 sq. ft.; a selling area of 8,500 sq. ft. or 73 per cent of the floor area; and a parking lot of 21,300 sq. ft., or nearly twice the store floor area."¹⁴

Building the Supermarket

A supermarket building which required a minimum of from \$25,000 up to \$100,000 and more in 1938, asked for from \$50,000 to \$500,000 and more in 1949. "It costs around \$500,000 to build, equip, and stock a medium-sized supermarket."¹⁵ Thus, the first point should be to select a location where the new building will secure a maximum volume to offset the construction costs.

Very often, the operator cannot finance the construction by himself. Most of the chains borrow money or issue stock. The small operator can do the same and sell stock locally. Sometimes, the operator will try to find a man who owns the property and fixed assets, to whom he will pay a designated rent or a given percentage on sales.

¹⁴ William Applebaum, "The Supermarket Industry Speaks", Super Market Merchandising, 12th Convention, (June, 1949), 166-177.

¹⁵ "Local Supermarket is Growing", Business Week, (July 17, 1947), 64.

As building costs are high, the supermarket's operator should take into consideration all details of the construction, "first, to secure the store in the lowest initial cost..., and second, to utilize materials and equipment that in the long run would assure the lowest occupancy and maintenance cost".¹⁶

Although these factors are most important, the supermarket's operator should not overlook the importance of attractiveness. The factor "beauty" should be taken into consideration as much as the factors "original and maintenance costs". Customers like to shop in modern and up-to-date markets. Women still account for the largest group of customers and they like neatness and "beauty". Moreover, customers have more confidence in a store that looks clean, attractive, permanent, and businesslike.

Taking the foregoing factors into consideration, a brief discussion about some elements will give an idea on the trend in supermarket construction.

Building

"The type of building developed for the supermarket is simplicity itself".¹⁷ Architects carefully plan the parking area to assure easy car circulation, the building to maintain a maximum volume of business, and ample storages to provide space to stock merchandise. Very modern and large supermarkets, like those found in California, sometimes include rooms for demonstrations, lectures, lounge-rooms, nurseries, and play-

¹⁶ Eugene Schear, "What Kinds of Supermarkets Shall We Build", Super Market Merchandising, (June 1949), 129-136.

¹⁷ Ben H. O'Connor, "Supermarkets", Architectural Record, (October 1941), 72-73.

grounds for children. The trend is toward more comfort and convenience that will make food shopping a more interesting and attractive function.

The most frequent types of supermarkets are of reinforced concrete which is the most costly, stucco frame, or cement blocks reinforced with steel.

Windows

Most of the supermarkets still have large display-windows; however, the latest markets show a preference for the full vision front. Although initial cost is higher than for the regular front, maintenance cost of the full-vision front is lower. Once in a while, the glass may break, but such fronts do not require constant repairing and woodwork painting. A 80 ft. all-vision front costs about \$4,800, whereas, a regular front costs \$5,000. A full-vision front gives complete freedom of vision throughout the market, thus exerting more attraction on the customer.

Doors

Doors show the same trend. Glass and metal trim doors are more expensive than wooden doors, but they are more attractive and cheaper to maintain. Automatic doors becomes more and more popular in supermarkets. The automatic outgoing door is especially helpful for the "arms-loaded" customer.

Floor

The floor is one of the most important considerations. An inviting floor gives atmosphere to the market and helps to differentiate the store from the cheap class. The operator has three types of floors to select from; they are plain cement, terrazzo, asphalt tile. Plain cement is

the least costly of these types, but it does not give a finished look. Terrazzo has beauty, but it is very expensive. These two types of floors require daily cleaning, therefore, implying a high maintenance cost. Besides, plain cement and terrazzo can crack in places or get a bad appearance after plumbing repairs have been made. The third type, most often used, is the asphalt-tile floor. It looks nice and has longevity. Its maintenance cost is low; it needs waxing once a month and mopping twice a week. When plumbing repair is required, tiles can be easily removed and replaced, thus always keeping up the good appearance of the floor.

Ceiling

Selection of the right type of ceiling is highly important in a supermarket. Plaster and painted ceilings or metal ceilings do not absorb sound. This is a serious inconvenience. Cement blocks are often preferred because they have beauty, a low original cost, and absorb 60 per cent of the noise.

Walls

In modern supermarkets, operators prefer not to post any advertising boards on walls. This idea goes along with the supermarket general trend for simplicity and neatness. Plaster and paint walls have sales appeal, but high initial and maintenance costs; unglazed tiles walls have poor appearance; whereas, marstile walls have low initial and maintenance costs, longevity and beauty.

Lighting

Two types of outside luminous signs are being used, the tower sign and the horizontal sign. It has been frequently observed that porcelainized enameled letters, backed up with incandescent light are less expensive

than neon lighting as to both initial and maintenance costs.

Inside the market, lighting is very important to show the quality of the merchandise. Moreover, customers like shopping in a well-lighted atmosphere. Three types of lighting are being used, they are: the cold cathode which has beauty, but high initial and maintenance costs; the incandescent lighting which has the inconvenience of giving too much heat; and finally, fluorescent lamps which combine beauty, efficient lighting, and reasonable price.

"Color therapy" is increasingly being used in self-service retailing. Ultra-violet lamps keep vegetables, fruits, and meats free from germs. "One operator reports that its meat department has increased net 1.5% due to savings from mould, shrinkage, and slime".¹⁸ Utilization of some colored lightings have good effects on shoppers by giving inviting and fresh appearance to foods.

Air Conditioning

Air conditioning is now an important feature in supermarkets. Customers like to shop in a cool atmosphere. In keeping the air fresh, air conditioning also maintains freshness of vegetables, reduces refrigeration costs, and reduces dusting and cleaning of shelves.

A survey conducted in 1949 by the Super Market Institute among its members (361 companies operating nearly 4,600 food stores) shows that "47 per cent of Super Market Institute members already have air conditioning in one or more of their supermarkets. Approximately 22 per cent of their

¹⁸ "Supers Weigh Costs", Business Week, (October 5, 1940), 30.

supermarkets have air conditioning; of these, 7 out of 10 have complete air conditioning and 3 only partial".¹⁹

Supermarket operators have proceeded with caution in installing air conditioning, but now they increasingly go for the idea. In 1950, 27 per cent of the Super Market Institute members will install air conditioning in an additional 7 per cent of the supermarkets.

The number of air conditioning installations varies by region of the country. This is mostly due to climatic conditions. However, the Southeastern States are relatively behind the other regions plagued with warm summers. In the Eastern States, complete air conditioning is rare; whereas, in California and in the West South Central States, it is found in almost every store.

Fixtures and Equipment

New fixtures tend to save labor costs, bring in sanitation, and increase customer convenience. There cannot be any comparison between the old-line grocery fixtures and the streamlined supermarkets fixtures. Self-service and refrigeration have revolutionized selling methods and therefore completely transformed the construction and lay-out of fixtures and equipment. Self-service fixtures do not require complicated fittings. They generally consist of open-wall fixtures, tables, and platforms. All goods are kept visible so customers can see them. The floor equipment and display must be below the eye level; it gives a more inviting and airy

¹⁹ William Applebaum, op. cit.

atmosphere to the store and reduces theft. The planning of fixtures varies from supermarket to supermarket according to the store size, the business volume, and the lines carried.

Electricity involves high costs in the modern supermarket. Controls for refrigeration and ice-cream cases, new types of quick freeze equipment, air conditioning, and lighting systems account for more than 15 per cent of the building's cost. The refrigeration equipment is more and more important and necessitates careful selection. Mr. Eugene Schear, Merchandise Manager of Liberal Markets, Dayton, Ohio, says: "In 1941, we opened an 11,000 square foot supermarket containing only 5 refrigerated cases and 2 coolers. In 1948, we opened a store of comparable size. It contained 17 refrigerated cases and 4 coolers".²⁰

Open, self-service refrigerated cases are used for dairy products, delicatessen, and related items. Eight per cent of the Super Market Institute members (361 companies, 4,600 supermarkets) have Food-O-Mats in one or more of their stores. Food-O-Mats are not numerous yet, but they have been tried in every section of the country and by supermarkets of different sizes.

Fresh fruits and vegetables are displayed in mechanically refrigerated or crushed ice cases. It has been demonstrated that their use reduces spoilage and increases sales. They have been extensively adopted; 3 out of 10 supermarkets have mechanically refrigerated cases, and 1 out of 6 supermarkets have crushed ice cases. Two-thirds of these supermarkets are

²⁰ Eugene Schear, op. cit.

located in the Southern and Middle Atlantic States. The West South Central States have the widest use of both cases.

Frills

What about frills in supermarkets? Frills are expensive and need to be often changed. They should be adopted only if they really give more sales appeal. There are usually no fancy fixtures in supermarkets. Simplicity and neatness are the principal features of supermarket's fixtures and buildings.

Traffic Circulation

"The first essential in planning is to promote an easy flow of traffic".²¹ The store should be inviting to the customer as soon as he enters it. Many modern supermarkets do not use turnstiles because they act as barriers and are forbidding to many customers. Another bad psychological effect on people is to place check out counters directly behind the entrance, thus reminding the customer of the least attractive function in shopping.

In large supermarkets, the customer very often does not know where the articles she needs are located; this is a serious inconvenience that operators have tried to overcome. Some have fixed luminous signs indicating the various departments, some have placed a large directory with plan of the market at the entrance, still some others have set small directories on each buggy.

²¹ Carl W. Dipman, "The Self-Service Store -- Things To Do In Planning", The Progressive Grocer, (November 1957), 28.

Once the customer is in the store, pushcarts introduce much difficulty in the circulation. It is however impossible to create a one-way traffic, but the careful planning of up-to-date supermarkets makes possible the removal of a maximum of interference. Another improvement in traffic circulation has been the widening of aisles to accommodate crowds.

One of the features of supermarket merchandising being mass-moving, the problem of getting the stock on the shelves without disturbing customers is highly important. A new suggestion has been the rear loading aisles. The clerk puts the stock on the shelf from behind the display. Of course, this is only possible in large supermarkets; it is expensive and it requires a large space, but it saves labor costs, speeds up and increases efficiency in stocking. Moreover, it avoids sales losses and annoyance to customers.

New machines, such as the lift-truck, are being increasingly used to handle a great quantity of packages.

Some large supermarkets have solved the problem of circulation at check-out counters by creating 'express' check-stands for customers who buy less than a certain number of items, or less than a certain amount of money. Operators have observed that this technique speeds up the circulation and encourages even the one-article purchaser to come into the market.

This rapid view on supermarket store organization gives an idea of the evolution from the 1930 shabby supermarket to the 1950 streamlined supermarket. As will be seen further along in this chapter, not only the physical appearance of the supermarket, but also its merchandising followed the trend toward more modern methods.

2. Diversification and Self-Service Extension

While the supermarket was improving and modernizing physical appearance, fixtures, and equipment, two trends appeared that are of great significance for its future. One trend is the expansion of supermarkets to furnish a wide variety of non-food lines; the other is the rapid extension of self-service into departments not previously considered adaptable to self-service, such as meat and delicatessen departments.

Addition of Non-food Departments in Supermarkets

The Supermarket of the future must aim, in accordance with the trend of the times, not only to be the complete food store, but the modified department store carrying not only food but other wanted merchandise, and serving the consumer as her all-inclusive trading center.

The Super Market Institute made this statement in February 1957. Since then, supermarkets have been steadily introducing non-food lines. Some of the biggest supermarkets have set up these non-food departments in an extensive manner. Grand Union Supermarket in Jackson Heights, N.Y., handles electrical appliances; the Big Bear Stores Co., in Columbus, Ohio, opened a unit in Zanesville that included an entire downstairs floor featuring everything but food items; the Weingarten's food chain of Houston has built a new supermarket which has half its space devoted to a "Home Center" selling profusion of non-food merchandise, such as paint, electrical appliances, linens, housewares, hardware, and clothing. Smaller supermarkets have not been as radical in joining this trend, but most of them have experimented with some kind of non-food lines and found them profitable.

Two main factors have influenced this trend: The mounting competition of all mass retailers; and, the vital need for supermarkets to sell articles with higher gross margins than those they secure on foods.

Some mass retailers like department stores are trying to add grocery lines and sometimes to introduce entire grocery departments. The trend toward diversification is general and the fact that other major retailers are diversifying obliges supermarkets to follow the same policy.

There really is a vital need for introducing lines offering higher gross-margins in supermarkets. In 1948, \$700,000 was the average sales volume of a supermarket, but most of this volume was done on lines that have a low mark-up. This mark-up averages between 16 and 18 per cent today, but supermarket's owners believe that this average will be lower, about 12 per cent. If the supermarket wants to maintain its mark-up, it would have to reduce its cost of operating. On the other side, operating costs have increased along with the supermarket "trading-up" and are almost impossible to reduce. Even by careful labor supervision and training, better merchandising methods, and control of waste, supermarkets have not been able to reduce their operating costs in a significant way. Supermarkets thus try to protect themselves by stocking lines with bigger mark-ups. They figure that with their heavy store traffic, it will be easy to sell their customers other merchandise. Besides, the addition of wines and liquors, drugs, cosmetics, small hardware, toys and magazines does not require too much increase in selling space and labor costs.

Supermarkets have thought the idea profitable in many other ways. Customers would be attracted by the greater variety of articles on sales and the convenience of doing all their food and non-food buying under one-roof, thus saving time. Store traffic would increase and would exert leveling off influence on all the days of the week. Most of the food shopping is done on Friday and Saturday; whereas, many other types of retail outlets make the bulk of their sales in the first three days of the week. Therefore, the addition of non-food lines, by increasing the daily store traffic, gives more uniformity and stability to sales. Moreover, as supermarkets live by mass selling, the wider variety of lines increases the average unit sales per customer.

Almost every supermarket carries some non-food articles. Many operators have taken them on in a haphazard fashion. More than 90 per cent of supermarkets carry cigarettes, paper towels, shoe polishes, furniture polish, floor-wax, and disinfectants. Some markets have numerous enough non-food lines to set them up into separate departments. Most popular is the drugs and cosmetics department; about 50 per cent of all supermarkets carry drugs and cosmetics; operators state they are very good sellers. Table 10 shows the percentage of markets with various non-food departments; small appliances and hardware seem to gain favor, but major appliances and clothes still rank low.

The merchandising principles that supermarkets apply to their development of new merchandise categories are basically the same that hold for their food lines. The merchandise has to lend itself to the selling and displaying techniques of self-service. Only national brands and fast moving articles are to be carried: every item must sell itself without the help of clerks and give guaranteed quality. Popular prices come along the line for

supermarkets try to undersell traditional retailers.

This trend toward addition of non-food lines in supermarkets varies by region. The Northeast area shows the strongest departmentalization in major appliances and dry goods. The South has the strongest departmentalization in toys, stationery, drugs, cosmetics, magazines, houseware, and house-furnishings. The Central area does not show any strong departmentalization, still here are found some of the items carried by the Southern supermarkets. The Far West is the strongest in all the non-food lines listed in Table 10, just as it is for general supermarket expansion and trading-up. In fact, the Northeastern States and the Pacific States are the leading sections of the country for general supermarket progress.

TABLE 10

PER CENT OF MARKETS WITH VARIOUS NON-FOOD DEPARTMENT ²²

Toys	8.0
Greetings cards	16.0
Stationery	21.0
Fountain-luncheonettes	11.1
Drugs	35.0
Magazines	20.0
Locker plants	2.9
Hardware	12.1
Small appliances	12.5
Major Appliances	3.1
Cosmetics	31.0
Dry goods	4.7
Housefurnishings	5.3
Housewares	15.5
Wines & Liquors	22.0
Paints	6.6
Flowers	3.4
Men's wear	3.1
Women's wear	3.1
Children's wear	5.7
Variety goods	10.3
None of depts. listed	3.9
No reply to question	36.0

²² "Non-Food Lines On Increase", Super Market Publishing Company, 1947.

The trend is moving forward; now additions of non-food items are being planned by supermarkets operators. The results of the survey conducted by Super Market Merchandising showed that one-fourth of all operators plan to add drugs and cosmetics. About 14 per cent mention hardware, small and major appliances, wines, and liquors; housefurnishings and housewares are planned to be added by only 10 per cent.

TABLE II

DEPARTMENTS THAT OPERATORS PLAN TO ADD OR EXPAND²³

Bakery	25.4%
Fountain-luncheonette	24.5%
Drugs and Cosmetics	19.9%
Greeting Cards)	16.4%
Stationery)	
Magazines)	
Small Appliances)	14.8%
Major Appliances)	
Hardware	14.8%
Wines)	14.4%
Liquors)	
Beer)	
Frozen Foods	13.5%
Housefurnishings)	9.7%
Housewares)	
<u>Scattered Mentions:</u>	
Toys	Flowers
Wearing Apparel	Paints
Cameras	Variety Goods
Films	Piece Goods
Shoes	Leather Goods
Sporting Goods	

This trend seems here to stay. Supermarket operators have found it profitable and customers like to do all their shopping at a time. The super-market evolution is definitely toward a well-integrated shopping center.

²³ Ibid.

Self-Service Extension

The second trend is the rapid extension of self-service into departments not considered adaptable to self-service. Self-service dairy, produce, delicatessen, and meat departments are multiplying. A survey conducted by M. M. Zimmerman in 1946 revealed that 94 per cent of the supermarket operators planned to go into self-service in their dairy department, 84 per cent in their produce department, 70 per cent in their delicatessen department, and 64 per cent in their meat department.²⁴ In 1949, another survey asking operators which departments would become self-service in the coming year estimated that 80 per cent of the supermarket operators would install a self-service poultry department, 70 per cent such a sea-food department, 40 per cent a self-service bakery department, 50 per cent a self-service drug department.²⁵ The percentage of operators planning to open a self-service meat department had increased from 64 per cent in 1946 to 80 per cent in 1949. In the supermarket's early days, self-servicing of meat had been thought impossible and the factor self-service implied in the supermarket definition was figured only for the grocery department.

The 1940 Census of Business asserted:²⁶

Self-service is nearly impossible in the meat department, and attainable in varying degrees in the sales of fruits and vegetables. In accord with these practical limitations, the term self-service for census purposes means that in at least the grocery department the store's prevailing practice is to encourage customers to make their own selection from exposed stocks, assemble the foods selected, and convey them to checking or wrapping desks.

²⁴ M. M. Zimmerman, "To Morrow's Supermarket", The Journal of Marketing, (April, 1946), 384-385.

²⁵ M. M. Zimmerman, "The Impact of Self-Service on Package Design", Printers' Ink, (April 8, 1949), 27-29.

²⁶ Sixteenth Census of Business, op. cit.

Supermarkets are indefatigable experimenters and, since 1940, they have been trying to solve the self-service problem. Manufacturers have helped them in studying special refrigerated cases for self-service meat departments. Operators know now that a self-service meat department is no longer impossible to set up. Many have experimented quite successfully which induces others to open their's. The record of self-service meat market openings shows a startling gain in one year time. There were 200 complete self-service meat markets in the country on April 1, 1948, 400 on September 1 of the same year, and 878 on April 1, 1949, thus attaining more than four times the number of the preceding year.

The trend varies in intensity throughout the country. Just as is the case for the supermarket expansion as a whole, the leading states in the opening of self-service meat departments are the Middle Atlantic, East-North Central, and Mountain States. "Out of the 1,119 supermarkets opened in 1949, 310 or 27.7 per cent have 100 per cent or partial self-service in their meat or delicatessen departments, or both".²⁷ The East North Central States opened 91 self-service meat departments out of the 310, that is almost one-third of the whole nation's (See Table 12).

The regional differences are not only due to the differences between the sections' degree of conservatism, but also and perhaps chiefly due to resistance on the part of some meat-cutters' unions. Such resistance arises because self-service meat departments require only half the number of meat-cutters that is needed by service meat departments.

²⁷ "1949 Proved Monumental For Industry", op. cit.

TABLE 12

(a) SELF-SERVICE MEAT DEPARTMENTS -- 1949 SUPERS²⁸

Region	No.	Per Cent of New Supers
U. S. Total	310	27.7
New England	25	36.2
Middle Atlantic	55	42.6
South Atlantic	23	19.5
East North Central	91	30.0
East South Central	30	34.1
West North Central	28	37.3
West South Central	26	19.6
Mountain	17	38.7
Pacific	15	9.3

(a) 100 per cent or partial self-service in meats and/or delicatessen department.

The installation of a self-service meat department requires a complete change of operation and a heavy investment. Meat-cutters in a self-service meat department do not have to deal with customers; they cut the meat according to definite standards of size. Once cut, the meat is carefully packaged in a piece of cellophane. The packaging is usually done by girls who also fill up the refrigerated cases so that the customer finds a great variety of cuts from which to take her choice. The self-service meat department is a great change not only for the manager and employees, but also for the customer who has to get adapted to this new way of buying meat. Some supermarket operators begin their transformation progressively. They keep their service meat department, but on a smaller

²⁸ Ibid.

scale and they add a self-service meat department in order to get the customer accustomed; then, when they see that the customers go for self-service, they definitely give up the service meat department. Operators who were skeptical have come to see that self-service is not impossible at all in meat selling and that customers like it.

Why do customers like self-service meats? The biggest advantage of self-service meats is that it is a quicker and more convenient way to buy. Customers do not have to wait, first to be served, and then to have the meat prepared, weighed, and wrapped. It has been observed that often women spend as much time selecting the pre-packaged piece of meat they want as they would have being waited on, but then, they do not feel like they waste their time doing nothing, and getting impatient for they have something to do. Moreover, when they asked the butcher to cut a piece of meat, they often dared not change their mind afterwards, but with self-service meats, they can spend as much time as they want to, look at every package, and take their choice in a leisurely way. Thus, self-service brings to the customer rapid service, satisfaction, and creates good-will toward the supermarket's operator.

Another reason customers like self-service meats is that they can choose what and how much they want without asking for it. Packages are of various size to satisfy the single woman as well as the large family of six persons. The wage laborer finds what he can afford to buy, and the big industrialist finds the prime cuts he likes. Some customers like self-service because they feel free to buy those "budget cuts" they were sometimes embarrassed to request.

Women like the unit pricing of the package because price per pound very often did not mean anything to them. At the service meat counter, it happened that once the meat was cut they thought it was too big a piece, but they did not dare tell the clerk, or at least were reluctant to do so; now, with the packages displayed in the refrigerated cases, they can look for the one that will best satisfy them. Very few men bought meat at the service counter; with self-service, more men come and select packages because they mean something to them and they do not need to lose so much time waiting for their turn to buy. Besides, customers like to touch as well as to see and they find this possible in self-service; it has been observed that shoppers often take in hand from six to eight packages before deciding on a particular one.

Most customers who buy meat are women. Women are attracted by the airy and clean atmosphere of the supermarket; likewise, they are attracted by the nice, neat, and sparkling meat packages displayed in streamlined refrigerated cases. Self-service meat departments make shopping a more pleasant function.

Nevertheless, self-service meats bring new problems that have to be given considerable attention if the operator wants to keep his customers' patronage. In fact, some enthusiastic customers have been greatly disappointed by self-service meats. Cellophane gives a good appearance to the meat but does not improve its quality. Some people feel like they have been cheated when they open the package and find out that the quality of the meat was not what they expected it to be. Sometimes, they discover bones hidden by the label or the wrapping, even if this has not been done intentionally, it creates bad will toward the store.

Another reason for customers to dislike prepackaged meat is the factor of freshness. It can happen that a once fresh cut has been packaged for several days but still looks nice; however, when the housewife wants to prepare the meal she finds that the meat is spoiled and no longer good to be cooked. If it happens just once, it is enough to spoil the self-service meat selling for ever in the mind of that particular housewife. Many supermarket operators are carefully putting the date on the package label at the time of the wrapping, so that by a regular checking of the cases, the oldest packages can be removed. Moreover, they are cautious in avoiding piling of packages on top of the cases. Such care helps give the meat the refrigeration it needs.

Some customers who have had one bad experience become suspicious about labeling, particularly as to weight and price. Some operators have taken advantage of meat prepackaging, putting on the label only the weight and the total cost; customers have sometimes been badly surprised after a rapid calculation of the price per pound. Other ill-intentioned operators do not write the right weight on the label. To create confidence among their customers, managers strive for careful labeling indicating the product name or grade more generally accepted in the locality, the weight, and not only the total cost, but the cost per pound. Some stores have installed a scale in their meat department so that customers can check the weight of each package they select if so desired.

There have been also some complaints on the thickness and size of cuts; women claiming that they could not find the right cut they like; but these complaints are limited in number, and meat department managers

try to give as wide an assortment as possible.

As a whole, it has been observed that customers accept self-service meats rather readily. The weaknesses just exposed can be easily overcome by the careful training of employees and close supervision by the manager.

Both the housewife and the supermarket operator think self-service meats advantageous. A self-service meat department reduces traffic congestion during heavy week-ends. However, selling more meat is the biggest advantage brought by self-service to the operator. The wide variety of items displayed in the cases appeals to the customer and invites her to purchase. It is easier to pick up a package than to ask and wait for the meat to be prepared.

The need for fewer meat-cutters is an operating advantage of self-service meats. Only half the number of meat-cutters needed in a service meat department is required in a self-service one. However, if fewer employees are needed to cut the meat, others have to be hired to package it. Girls are usually employed for such work and their number is in the proportion of two to one meat-cutter. Therefore, slight savings, if any, can be shown on labor costs. It should be noted that greater capacity of meat cut and sold may indicate some real labor cost reduction. The investment in the new equipment is very high and the setting up of cutting and packaging rooms is expensive. Wrapping materials are more costly than for a service department by about one-half of one per cent.

Self-service requires more space and therefore increases rental costs. Thus, self-service does not seem to reduce operating costs. In short, supermarket operators think that self-service sale of meats is more profitable because they are making more money, not by cutting operating costs, but by

selling more meat at a little better profit and with a higher turnover rate.

Meat prepackaging is still in the experimentation stage and the operator has to face problems such as discoloration and shrinkage of the meat under the action of the light and air. Various types of films and cellophane are being used experimentally. Some operators try to solve the problem by wrapping the meat with butcher tissue on one side and cellophane on the other side. The butcher tissue being on top protects the meat from the light and the cellophane being on bottom gives visibility so that the customer can better view the meat.

Most supermarkets operating self-service meat departments have observed that one of the biggest shortcomings is the loss of personal contact with the customer. In the service meat department, the manager used to give advice to the housewife on how to cook a certain cut, but this is no longer possible in the self-service meat department since the meat-cutter is not in contact with the customer. Some supermarkets have overcome this lack of personal contact by having the girls who package the meat act as hostesses. While they set up the packages into the cases, they can provide any suggestion that would please the customer. Small libraries of cook-books have been opened in some supermarkets and can be borrowed by housewives.

Self-service meats are indeed stepping forward. Supermarkets are experimenting every day and try constantly to solve the particular problems involved in this new way of selling meats. Careful packaging, labeling, dating, and displaying of meats require well-trained personnel and close supervision. Each supermarket has problems of its own to adapt self-service meats to its environment and clientele. It has to see if

the store is big enough to stand such heavy investment in equipment. However, some companies have created a central cutting and packaging plant for their smaller stores and send each store such meats as are ordered by the manager calling the central unit on the telephone.

Constant experimentation in meat prepackaging and the growing number of self-service departments in every part of the country demonstrate that the self-service trend is definitively moving forward and will doubtless become generally accepted by the people.

3. Trend in Packages and Displays

The increasing field of self-service has made the supermarket operator more conscious of the possibility of improving sales techniques. In the first supermarkets, merchandise was piled up without any attempt to meet the main requirement of self-service, that is for the merchandise to sell itself. "As originally introduced it was crude compared with the scientific stream-lined methods of today's typical self-service store which is a splendid example of applied psychology."²⁹

Supermarkets and self-service stores have conducted surveys that demonstrate the importance of impulse purchasing in their markets. Impulse purchasing has been on the increase for several years as has been proved by successive surveys conducted by the Cellophane Division of the Du Pont Company. In 1945, impulse purchases accounted for 25 per cent of purchases in supermarkets; in 1946, they accounted for 38 per cent; finally, in 1949,

²⁹ R. A. Sprague, "1946's Trend in Supermarkets and Self-Service Stores", Advertising and Selling, (July, 1946), 39-45.

it accounted for 54 per cent. Impulse buying was most remarkable in candy, cakes, cookies, canned goods (fruits, vegetables, and soups), jellies, macaroni, dessert mixes, cheese, frozen foods, crackers, and potato chips.

Three-fourths of the people do not appear to carry any shopping list. Most of them know approximately what they need, but they expect the store's displays to suggest the specific item. The housewife is always in search for new ideas to compose her meals. Inviting displays of attractive packages are the supermarket's salesmen and they must be carefully studied and prepared in order to successfully perform their job of selling the people.

Therefore, supermarket operators have understood that the emphasis should be put on better displays and packaging to give them more sales appeal.

As the package plays the greatest part in today's selling process, it must be able to perform two essential functions, that is, first, to stop the customer and, second, to sell itself. In self-service stores, customer's selection is entirely visual; therefore, to stop her, any product must be carefully and attractively packaged. The shape, color, and design of the package must be carefully studied so that it will have the highest degree of appeal to catch the customer's eye. Once it has stopped the housewife, the package must sell itself. It must tell her all the qualities and advantages of the product just as a good salesman would do. This means that the package must be descriptive enough to show the brand name, the date of canning or packaging, which is most important in the case of self-service meats or items like coffee. Generally, to present a more inviting picture of the product to the customer, illustrations of the raw

or prepared product are used, with the explanations of the various preparation steps. Recipes and new utilizations of the product are also suggested. Manufacturers have been very cooperative with supermarket operators in conducting package research. They have not only improved the attractiveness of the package, but also reduced the number of sizes and standardized them; thus, helping both operator and consumer, the operator by making inventory control easier, decreasing handling costs, and simplifying arrangement on shelves; the consumer, by avoiding confusion between sizes and prices. Many manufacturers began to provide a white space on each package for price marking. Price marking on the package as well as on the shelf itself has a tremendous importance for the operator because it is a major factor in keeping the confidence and the good-will of the customer.

A test was conducted by The Progressive Grocer in four stores. Sales figures were recorded on specific items that were not price-marked the first week and clearly price-marked the second week. The results showed a 57 per cent loss through omission of price (See Table 13).³⁰

Thus, the emphasis is on good packaging, but it is not enough to sell the customer. There is no use for the product to be nicely and appealingly packaged if it is hidden in a dark corner, or if it is displayed in the wrong way. Here psychology plays an important part for both the arrangement of displays throughout the store and the display itself. For instance, it has been observed that people have a tendency to follow along the sidewalk

³⁰ Robert W. Mueller, "Self-Service Is a New Advertising Medium, and It Demands New Merchandising Techniques", Printers' Ink, (December 10, 1948), 33-36.

shelving, very often overlooking the items shelved on gondolas in the middle of the store. Supermarket operators have found it profitable to place items of daily use in the central area for buyers will seek them more diligently, and other items of infrequent purchase on wall-shelves, thus making them move faster.

TABLE 13
CONTROLLED CHECK ON SALES LOSSES
RESULTING FROM FAILURE TO PRICE GROCERIES³¹

Item	Week's Sales				Sales Loss		
	All Items		No Items		Unit	Dollars	%
	Priced-marked		Priced-marked				
Unit	Dollars	Unit	Dollars	Unit	Dollars	%	
Ketchup	216	\$ 49.68	71	\$ 16.33	145	\$ 33.35	67
Pineapple	52	17.16	23	7.59	29	9.57	56
Pickles	63	22.05	28	9.80	35	12.25	56
Peanut butter	49	16.66	16	5.44	33	11.22	67
Mayonnaise 1/2 pt.	15	4.35	1	.29	14	4.06	93
Mayonnaise 1 pt.	9	4.41	2	.98	7	3.43	78
Grapejelly	40	11.60	3	.87	37	10.73	93
Peach jam	9	2.97	4	1.32	5	1.65	56
Nectarines	34	16.66	6	2.94	28	13.72	82
Plums	29	6.09	4	.84	25	5.25	86
Cocktail frankfurts	9	5.31	3	1.77	6	3.54	67
Instant chocolate	36	10.08	21	5.88	15	4.20	42
	561	\$167.02	182	\$ 54.05	379	\$112.97	67%

Related items are purposely placed close to one another so that one will suggest the other to the consumer. Cans of coffee and cans of milk can be placed side by side. An enormous display of desired goods offered at an advantageous price almost at the entrance of the store impresses the consumer and stops her. Similarly, mass displays at island end and hot spots with suggestive and big cards catch the customer's eye. Frequently-purchased items such as bread, butter, milk, and eggs, are usually placed at the rear

³¹ Ibid.

of the store so that the customer is forced to pass by and be tempted by many other items before she can reach the desired necessities.

Small items, such as candy, are usually placed near the checkstands. This not only secures them from theft, but is also practiced because once the housewife has completed all her shopping her mind has strayed from the subject of preparing food, now she can be tempted to buy extra things. Since candy has an impulse appeal of 71 per cent, some operators have found it profitable to scatter fancy candy displays throughout the store, most often at island ends.

Shelf arrangement and display have actually become a fine art with both the chain and the independent supermarkets. The shelf position, also the multiple-item displays, have contributed to increased impulse purchases.

The display must be neat to attract the customer, but not too artistically built. Too-fancy displays are out of place in the supermarket. Also if the display is too perfectly built, the customer will be afraid to spoil it; generally, the display presents a pick-up spot that invites the customer to buy the item and gives her the impression that others have bought before her, further increasing her confidence. Many operators have observed that jumble baskets and odds-and-ends tables attract the customer. Cards tucked into the display which emphasize some point that is the most interesting to the buyer invite her to try the product.

An important point that operators have observed is the need for frequent changing of a display's general contour or location to retain the customer's interest; women particularly like something new.

Research experts have noticed that shelf position influences sales, particularly when the different brands of a product are equally well accepted by the people. A test conducted on bar soaps showed an almost 50 per cent

increase sales when the product was displayed at waist level.³² Brand A was displayed the first week at waist level and the second week at bottom shelf. Brand B was displayed the first week at bottom shelf and the second week at waist level.

	<u>First Week</u>	<u>Second Week</u>	
	<u>Waist Level</u>	<u>Bottom Shelf</u>	<u>% Change</u>
Brand A	73 bars	37 bars	-49
	<u>Bottom Shelf</u>	<u>Waist Level</u>	
Brand B	17 bars	25 bars	+47

New supermarkets with their modern fixtures try to avoid the inconvenience of bottom shelving and study their fixtures so that shelves present the products at eye or waist level. Higher level fixtures are only considered sound around sides of the store.

Supermarkets are indefatigable researchers and they experiment constantly. They have discovered that the multiple-item display sells more than the single-item display. The Progressive Grocer made a test with soap powder, canned tomatoes, shortenings, and cold cereal during two weeks. The display for each of these items kept the same position and the same size sales areas during the two weeks; the multiple-item display sold more than three times as much as the single-item display. For instance, the experiment that was made on soap powder showed the following results:

³² Robert W. Mueller, op. cit.

TABLE 14

RELATIVE SALES FROM DISPLAY FEATURING ONE AS COMPARED TO FOUR BRANDS
DURING SUCCESSIVE WEEKS³³

<u>Soap Powder</u>	<u>1st Week Sales</u>	<u>2nd Week Sales</u>	<u>% Change</u>
Brand A	\$ 39.20	\$ 51.00	
Brand B	--	49.98	
Brand C	--	46.90	
Brand D	--	43.52	
	\$ 39.20	\$ 191.40	+385%

Supermarkets are doing more and more display work and study the best methods to get the merchandise moving fast. Along with more elaborate displays, they are using more posters, strips for gondolas, and easel-back cards to strike the customers. They are organizing more contests and sales promotion, in addition they stress their advertising tremendously.

4. Advertising and Promotions

Supermarkets' advertising, like supermarket buildings, equipment, and self-service methods, has passed through an evolution since early days. Supermarkets have always been great advertisers and certainly the promoters of modern grocery business advertising. Along the years they have greatly improved their methods. They used to toss 50 or 60 items under the store name with a few loss-leaders here and there. They just presented a single list of products with their prices, and then made no attempt to write copy that would appeal to the customers' interests and emotions.

Now, times have changed and supermarkets have definitely turned away

³³ Ibid.

from their early advertising and developed more subtle and far-sighted advertising that aims not only to publicize the list of products on sale on a particular day, but also to build the customers' good will and patronage to the supermarket.

Supermarkets were inspired by the techniques of department stores' advertising. Although their lines are entirely different, they appeal to the same customers, women. Supermarkets' advertisements are now roomy, airy, spotted with big illustrations, and stress women's interest and emotion appeals. Such promotions emphasize the quality and budget prices of the products and brands carried, the particular features of their stores and the courtesy of their employees that make shopping an easy and pleasant adventure. Supermarkets' advertising managers use psychology to lay out copy that appeals to women's desires and assists them to solve their every day housekeeping problems.

Local newspapers are the most important advertising medium of the supermarket for they reach a majority of the people in the immediate trading area of the supermarket. Supermarkets in general use full page and double-page spreads. They also feature "specials" that bring customers into the store. Since a large quantity of items has to be featured and the main appeals are quality and low prices, newspapers are better fitted for their advertising than radio commercials. Newspaper advertising layout enables a more suggestive appeal because such advertisements visualize the products and facilitate easy price comparisons.

As soon as they began to spread out, supermarkets understood that they should advertise locally if they wanted to secure the largest volume of sales. Manufacturers of nationally advertised brands who saw in supermarkets

the ideal outlet for their products began to think that they should advertise not only nationally, but also at the point of sale by encouraging the local advertising of supermarkets that featured their products. Many of them concluded agreements to financially help the supermarkets in broadening their advertising efforts.

The advertising of non-food lines is not yet widespread but the tendency to advertise them is growing as they become more and more part of the supermarket merchandising policy. Weingarten's supermarkets advertise their "Home Center" lines in Sunday papers. People attracted by the advertisement come on Monday and also buy some food items. Building a regular daily store traffic all through the week is one of the biggest objectives of supermarkets where half of the weekly traffic is currently done on Friday and Saturday. Some figures published by Sherman K. Ellis and Co., New York Advertising Agency that conducted a survey among 14 independent supermarkets in 14 large cities which served a total of 128,000 customers shows that the Atlanta, Cincinnati, and Cleveland supermarkets obtain 65 per cent of their weekly traffic on Friday and Saturday; Chicago, Pomona (Los Angeles), and Alameda (San Francisco) averaged about 42 per cent.³⁴

The reasons for the Friday and Saturday food shopping are obvious. Most supermarket customers are wage laborers, they receive their salary on Friday or Saturday and they do not work on Saturday. Moreover, many supermarkets used to feature bargains on Friday and Saturday and their advertising appeared

³⁴ Sherman K. Ellis and Co., "First Study of Supermarket." Advertising and Selling, (September, 1942), 82.

in Thursday newspapers. Now, supermarkets try to do away with this practice by offering these bargains also during the first four days of the week and advertising in Sunday and Monday newspapers; however, they still put more emphasis on Thursday's advertisements than on those run on other days.

Radio and television broaden the field of supermarkets' advertising. Supermarkets are studying the new methods of television advertising that promises to account for an important part of their advertising in the near future.

Promotion is not confined only to advertising, it is also found in the store itself. Supermarket operators think that the store must be prepared to follow through their radio and newspaper advertising. They first carry a sufficient stock to take care of all the demands created by the advertising. Then, they create an atmosphere that stimulates impulse sales with a large quantity of display pieces: price cards and display cards, blow-ups of newspapers ads, wall-posters, strips, recipe booklets; radio storecasts and demonstrations that give information to homemakers; short slide-films show the advantages of some nationally advertised products that are displayed close to the screen. Another medium of point-of-sale advertising of growing importance is television. Studios in New York and Los Angeles are developing television programs that will be televised to supermarkets.

Another way of promoting sales is to give away something in addition to each purchaser of a special article; for instance, if the customer buy two bar soaps instead of one, she will get a third bar gratis, or the customer finds coupons attached to the article with which she can obtain some housewares, such as silverware, glasses, plates, and small appliances. These,

however, are usually devices disclosed by the manufacturer for promotion of his own brands.

One of the promoting elements that greatly capture the interest of the customer is the contest. Supermarkets have become masters in the art of organizing them. Women love contests. Supermarkets award with valuable prizes, from a year supply of some food article, to a refrigerator, a washing-machine, or even an automobile!

Supermarkets' advertising and promotion neglect nothing to attract and impress the customer. As they grow more powerful, their goal is to impress the public with the fact that the supermarket is the place to shop with maximum convenience and where all necessities can be found under one roof at very low prices.

CHAPTER III

THE EFFECT OF SUPERMARKETS ON THE AMERICAN PEOPLE

Let us lead the way in forging ahead together that there may be more for all.¹

Supermarkets have contributed much to the perfection of grocery retail distribution and succeeded in lowering prices for consumers. The tremendous growth of supermarkets is the proof that their business methods are sound and effective and that consumers have recognized this in giving them widespread and continued patronage.

Supermarkets have realized that the duty of every retailer is to give the best quality products at the lowest possible prices, thus giving more buying power to the consumer. Supermarkets have realized that quantity buying, elimination of waste in distribution, and better merchandising methods by the retailer bring more benefit to the manufacturer and to the farmer. Supermarkets have created "More For All."

Effect on Consumers

Surely, supermarkets have had a very strong influence on the life of the American people. This type store has simplified their shopping because it offers under one roof all the variety of food and non-food lines that can be imagined. Meats, delicatessen products, dairy products, frozen foods, vegetables and fruits, groceries, cosmetics are all here ready at hand. Whereas the corner-grocery store carries perhaps 600 items, super-

¹ Sidney R. Rabb, "Lead the Way", Super Market Merchandising, (June, 1949), 43.

markets usually stock from 2,000 to 10,000.

Consumers have taken the habit of shopping less often, generally once a week; consequently, their purchases are larger than when they buy in small stores; thus they save time and they share the supermarket's savings from big-volume purchases. Since they help themselves in selecting their groceries, consumers also save time while they are shopping. Supermarkets have really been the promoters of self-service systems which they have extensively applied to more departments and greatly improved. Customers do not need to be waited on by sales people, they just help themselves and they really like it because it is faster.

Many supermarkets stay open at night and offer the working people the possibility of shopping leisurely during the evening and of avoiding the rush hours.

Not only does the supermarket bring the consumer greater convenience in shopping, but it also saves her money. Chapter II has demonstrated that supermarkets even undersell chain stores and often quote much lower prices. "John Hartford, of A. & P., has stated that changing over to supermarkets makes possible prices 8 per cent below those of regular chain stores."² Moreover, by paying cash and taking her purchases home, the housewife saves credit and delivery expenses.

Beside greater convenience and lower prices, supermarkets, on account of their rapid turnover, assure consumers of new and fresh merchandise which is brought to them under ideal conditions of cleanliness.

² J. C. Furnas, "Behold the Supermarket, It's Colossal!" Reader's Digest, (January, 1942), 47-50.

Effect on Manufacturers, Farmers, and Growers

Supermarkets have strengthened the position of the whole grocery industry comprising manufacturers, processors, and producers. Its mass merchandising has made possible the full development of mass production and mass distribution. "One candy manufacturer found, for instance, that his sales to eight small semi-supers soon exceeded sales through jobbers to all other candy outlets in a large metropolitan area."³

Since quantity is one of the main factors controlling cost levels, supermarkets have made possible substantial economies. Supermarkets buy in large quantity and their large orders help to cut down overhead expenses for the manufacturer. Production can be standardized and the merchandise obtained at lower cost. Then, the large order enables the manufacturer to buy his raw material on a large scale and at a substantial saving. Furthermore, supermarkets furnish a steady demand to the manufacturer.

Particularly, nationally-advertised brand manufacturers have been favored by the growth of supermarkets which gave them the opportunity of counterbalancing the competition of chains' own brands and a market constantly sustained by advertising and research of new merchandising methods.

As to farmers and growers, supermarkets have given these groups a wide market. Supermarkets have stimulated sales and consumption of food in general. Their mass-merchandising techniques have helped in moving surplus crops. "In Long Island, for example, the milk sales of a dairy

³ Ivan C. Miller, "Supermarket Merchandising Methods." Advertising and Selling, (September 9, 1937), 28-29.

jumped appreciably when sales were made to a supermarket selling milk in papers containers."⁴

In 1949, supermarkets' grocery sales volume accounted for 35.2 per cent of the nation's. By selling \$8,500,000,000 worth of products, they disposed of a large share of the manufacturers and farmers production, therefore, increasing national prosperity.

Effect on Employees

Employees have also benefited from the supermarket growth. The supermarket industry has raised the standards of living for grocery employees. Supermarkets have given them higher wage rates and many have worked out bonus and incentive plans. Employees have found in supermarkets better working surroundings, better training, and an opportunity for advancement.

Effect on Other Food Retailers

Supermarkets have taken away customers from the small grocer by their better merchandising methods; but, indirectly, the small grocer has benefited from supermarkets. Small individual grocers have realized the changing trends of distribution and tried to meet them in bettering their business policies. They learn from supermarkets every day; hence, they modernize their stores, their operating methods, and policies.

Even consumer cooperatives adopt supermarket techniques of merchandising; an example is a consumer cooperative in Columbia, Missouri.⁵

⁴ Ibid.

⁵ United Cooperative Society, Maynard, "Enter Co-op Supermarket." Printers' Ink, (March 27, 1942), 23.

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Cooperatives change from their small, badly-lighted buildings to up-to-date supermarket buildings equipped with modern refrigerators, lighting, fixtures, and buggies.

Effect on Other Businesses

Other retail businesses are being influenced by the supermarket's merchandising methods. Examples are drug stores which would sell drugs, liquors, nursing and hospital supplies, photographic equipment and accessories, household hardware, kitchenware. The "Pay Less" drug store, Oakland, California, has such a supermarket occupying a 12,000 sq. ft. floor area and a parking lot for 350 cars.

In the field of radio, Philco found the supermarket an ideal set up for selling parts. About one hundred Philco distributors adopted the supermarket plan for their radio parts with self-service arrangements.

Some department stores are adopting the idea of becoming self-service, at least in some departments, such an attempt has been made by the Packard-Banberger & Co., in Hackensack, N. J. All supermarket operating methods are opened to adoption by progressive independents so that they can increase their efficiency.

Supermarkets also benefit the whole trading center around their buildings. It very often happens that when a supermarket opens in a vacant lot a complete trading center gathers around its building: retailers, service establishments, amusement houses. Real estate values are enhanced and vacant lots which seemed without any value have thus been exploited.

The supermarket progress is not the result of any particular circumstance,

its strong position is the result of good adjustment to economic conditions and changing buying habits of the people. Twice a year, the Super Market Institute, trade association of supermarket operators, holds a convention that assembles supermarket operators, manufacturers, producers and processors of food products. They look forward to more cooperation. They tend to exchange information on many problems, to build educational programs, to conduct scientific researches in retail stores, and to obtain concurrent efforts in advertising. They strive to eliminate waste in retail food distribution and to study methods that will give the consumer the best food at the lowest prices.

CHAPTER IV

SUMMARY AND CONCLUSION

Undoubtedly, the supermarket industry has played an important part in the retail grocery distribution for the past twenty years. Originating during the depression days, the supermarket industry has been steadily expanding all over the United States. The number of supermarkets has increased tremendously from 200 in 1930 to 13,089 in 1949. Not only is the number of units significant of the growth of the supermarket industry, but sales are still more amazing; in 1949, they reached \$8,500,000,000 that is 35.2 per cent of the total retail grocery sales volume. Supermarkets spread all over the nation, but some states, such as California, the Northeastern and Middle Atlantic States, have really been the pioneers and the most enthusiastic leaders of the supermarket industry.

Supermarkets have not only provided new food retail outlets, they have completely revolutionized the merchandising methods of the food industry. Their policies have been mass-buying, low operating costs, low mark-up, and quick turnover. As they grew, supermarkets evolved and began trading up. From their barnlike structure of the 1930's, supermarkets have shifted to up-to-date buildings with streamlined fixtures. They have constantly offered more services and greater convenience for shopping to the customer. They not only bettered their physical appearance, but they also improved their merchandising methods. They extended self-service to nearly all their departments; they bettered their advertising and sales promotions and used them more extensively. Finally, their main purpose for the future is to merchandise

food and non-food lines under one roof to have the supermarket become a complete trading center.

In conclusion, supermarkets have greatly influenced the life of the American people. They have modified the buying habits of the consumer and have allowed him lower prices because they have cut down distribution costs. They have provided mass distribution for mass production because they offer manufacturers and farmers a steady and huge market. Finally, they have been an incentive to all retailers to adopt more scientific merchandising methods. The supermarket industry has not yet reached its full development, it will still grow. It has already reached its saturation point in some places such as Los Angeles where many supermarkets have been obliged to close because of the keen competition among themselves; however, there are still many parts of the United States where supermarkets are just in the starting stage, such regions as the West North Central States and the West South Central States offer a great potentiality of expansion. Moreover, the supermarket expansion is not confined to the United States, it has crossed the Mexican and Canadian borders and found there important markets to develop. The supermarket industry has also revolutionized the retail groceries of some European countries such as Switzerland and Holland and is likely to influence great changes in distribution in Europe as it has done already in the United States.

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