

A MANUAL FOR SUPER MARKET OPERATIONS  
FOR THE KOREAN ECONOMY

A Thesis

Presented to

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state since the thirty-six years of Japanese colonial economic policy, after Korea and, more recently, the Korean conflict. The retailing system was much influenced by the Japanese. Such a primitive way of life and customs influenced the methods of marketing and retailing as well as consumer behavior.

Taste and preferred items vary in preferences and usage by the two nations. The Korean people prefer the raw foods and vegetables, while the American people are more used to meat and fish. According to these factors, the food industry is developed in different ways.

The great expansion of super market operations in America during a period of three decades reveals the progress towards the expansion of this type of distribution and have been constantly striving for new techniques of operations. The industry has its focus already on other related fields such as packaging, advertising, store layout and display. In fact these fields have undoubtedly affected the super market operation. Its continued growth with very many possible new techniques and phases of development may eventually affect the entire retailing field.

## CHAPTER I

### INTRODUCTION

The economic factors of the United States and Korea are very different. Korean industry is still in a primitive state owing to thirty-six years of Japanese colonial economic policy over Korea and, more recently, the Korean Conflict. The retailing system was much influenced by the Japanese. Such a primitive way of life and customs influences the methods of marketing and retailing as well as other functions.

Foods and non-food items vary in preference and usage by the two nations. The Korean people prefer the sea foods and vegetables, while the American people use more meats and fats. According to these factors, the food industry is developed in different ways.

The great expansion of super market operations in America during a period of three decades reveals the ingeniousness of the operators of this type of distribution who have been constantly striving for new techniques of operation. The industry has its impact already on other allied fields such as packaging, advertising, store layout and display; in turn these fields have undoubtedly affected the super market operation. Its continued growth with very many possible new techniques and phases of development may eventually affect the entire retailing field.

The present study is an attempt to find the phases of development in the super markets which will be of help in developing this form of distribution in Korea.

#### AIM

The aim of the study is to develop knowledges and concepts about super market operation which would result in the development of a manual to be useful to Korean business students as well as to Korean businessmen who might wish to develop such an operation in their country.

#### PROCEDURE

The sources and materials used in this manual were suggested in discussions with managers in operation of super markets in Emporia, Kansas. Articles in trade and professional journals, the literature of retailing, marketing and allied fields were obtained through teachers, store managers, Emporia William Allen White Library, and libraries of the University of Kansas and of the University of Texas.

## CHAPTER II

### BRIEF HISTORY OF THE AMERICAN SUPER MARKET MOVEMENT

#### DEFINITION OF SUPER MARKET

"A super market" as defined by M. M. Zimmerman for the first time in 1936, "is a highly departmentalized retail establishment, dealing in foods and other merchandise, either wholly owned or concession operated, with adequate parking space, doing a minimum of \$250,000 annually. The grocery department, however, must be completely self service."<sup>1</sup> A complete, departmentalized food store is described as one which has separate sections for all the major food categories--groceries, meat, produce, and dairy. While this category was not included in the Zimmerman definition, a frozen food section must now be considered an essential part of the super market.

The minimum volume of sales to place a store in the "super market" classification was raised by the Super Market Institute to \$500,000 in 1951 and \$1,000,000 in 1955.<sup>2</sup> Super markets doing business over this minimum can, however, be classified as medium, large, and extra large, while those

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<sup>1</sup>M. M. Zimmerman, The Super Market, First Ed., 1955, p. 18.

<sup>2</sup>The Super Market Industry Speaks, 1956, p. 9.

doing less than the minimum (figuring at least \$75,000 to \$375,000 annually) are classified as large food stores.

Lastly, the definition required that a super market have at least its grocery department completely self-service, since self-service is the fundamental device of the super market movement<sup>3</sup> and the grocery department lends itself most easily to this method. This department includes all processed and packaged foods, such as canned fruits and vegetables, packaged cereals, preserves in jars and similar commodities. In most cases, this department also has within its jurisdiction such groupings as soap products, cigarettes, bathroom and facial tissues, paper towels, napkins, polishes and waxes and related items.

For the most part, the super market can be easily identified. The self-service display, self-service, low price and high turnover of merchandise, store personality, and cash and carry are characteristic of the super market.

#### THE ORIGIN OF SUPER MARKET

In the early thirties, the first two super markets started near New York with the opening in 1930 of King Kullen followed in 1932 by the opening of Big Bear.<sup>4</sup> The

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<sup>3</sup>Zimmerman, loc. cit., p. 18.

<sup>4</sup>Zimmerman, op. cit., p. 21, et. seq.

opening of these two unique markets was hailed as marking a new phenomenon. And up to today, the history of the super market industry is generally reckoned from this time.

Neal Ramsey, president of Market Basket, Los Angeles, believes that the origin of the words, "Super Market," dates back to the early twenties, when the word, "super," was coined by the Hollywood motion-picture promoters. In the gala premieres of new pictures in Hollywood, accompanied by spotlights, bands, and similar fanfare, these promoters described their pictures as "super," "colossal," "stupendous," etc., terms that the Super Markets adopted.<sup>5</sup>

T. A. Von Der Ahe of Von's Grocery Co., Culver City, California, whose father was one of the early grocery pioneers in the Los Angeles area, has a different theory about the origin of the phrase, "Super Market." Mr. Von Der Ahe believes that it was coined by the study of the "California" market--the term used to describe the large self-service type of market that came into existence in and around Los Angeles in the late twenties and the early thirties.<sup>6</sup>

A super market was not a building merely in excess of certain number of square feet, nor an operation that has a volume in excess of a certain number of dollars. It is

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<sup>5</sup>"The Super Market," Harvard Business Review, Vol. 16, 1937, p. 192.

<sup>6</sup>Ibid., p. 192.

preferred to consider a Super Market as a new method of food merchandising, based on the theory of "File it High and Sell it Cheap,"<sup>7</sup> plus the elimination of service and introducing self service techniques.

#### GROWTH OF SUPER MARKET

Many large cities have long had a few large downtown food markets which conveniently fall under the super market classification. Donahoe's in Pittsburgh and the downtown market of Henke & Pillot in Houston, Texas, are well-known examples. The latter has been in business since 1872.

Although it was begun as a small grocery store, by gradual expansion other departments were added so that for years it has been a super market. It is credited by some with being the first super market.<sup>8</sup>

Likewise, the public market type of super market is by no means a new development, the Crystal Palace Public Market of San Francisco having been in operation since 1922 and the Home Public Market of Denver since 1920. Furthermore, the old-line grocery chains took a step toward entrance into the super market field as early as 1925, when they began to open the large combination type of food store, yet it is a fair statement that the super market development did not get

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<sup>7</sup>Ibid., p. 192.

<sup>8</sup>Ibid., p. 192.

under way in any significant degree until nearly thirty years ago, and that its period of most rapid growth did not come until the upturn in business beginning in the second half of 1932.

The development of large markets on a considerable scale seems to have taken place first in Southern California, especially around Los Angeles. While the following figures are only estimates, they do give an indication of the rate of growth in that city:

TABLE I  
GROWTH OF LOS ANGELES SUPER MARKETS\*

Year	Number	Sales
1929	25	3,309,000
1930	39	5,982,000
1931	51	7,826,000
1932	79	13,739,000
1933	103	16,614,000
1934	139	23,416,000
1935	198	35,908,000

\*Source: Harvard Business Review, Vol. 16, 1927, p. 193.

These super markets were food stores with little attempt to bring in non-food items. A deviation from this type of market has had its greatest development in the East where it was sponsored by Michael Cullen.



In 1932 Mr. Cullen was operating eight stores which were reported to make gross sales of over \$8,000,000 a year. By renting part of his buildings to non-food merchants so that he need make no charge for rent against his grocery department, by the use of cheap fixtures, by adopting self-service, and by buying in quantities and paying cash, his grocery departments were able to offer prices considerably below those of competing stores.<sup>9</sup>

Following the lead of Mr. Cullen, other super markets of a similar type began to appear along the Atlantic Seaboard and in the Middle Atlantic and East North Central states. Late in 1932 the Big Bear opened its first unit in Elizabeth, New Jersey. Early in 1933 the Big Chief Market of Providence was opened, followed by the Somerville, Massachusetts, Big Bear in May, 1933. Syracuse, New York, got its first super market late in 1932, at about the time the Elizabeth Big Bear was being opened. In 1933 the Great Bull Market came into existence in Kingston, New York, the founders of this market also having been inspired by a visit to the original Big Bear.<sup>10</sup>

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<sup>9</sup>"Looking Backwards: 25 Years of Super Market Progress," Super Market Merchandising, Vol. 20, No. 8, Aug., 1955, pp. 68-86.

<sup>10</sup>Ibid., pp. 68-86

Apparently this development spread into all sections except in certain parts of the South and the Middle West. California had more super markets than any other single state.<sup>10b</sup>

#### EARLY DIFFICULTIES

The revolution in retailing brought about by the super markets created a sensation among chains and the small independent grocers who lost much of their business. In their attempts to survive this revolution, the chains and independents led a campaign of anti-super market propaganda. The war started; meetings were held; resolutions were passed; bulletins were distributed; legislation was tried; editorials condemned super markets. In fact every attempt was made to curb their expansion.

The following instances show how vigorously the super market operators protested them.<sup>11</sup> In Tuluma, California, a Grocery Closing Ordinance was passed regulating the opening and closing hours of grocery stores. Andrew William Food Stores Corporation of Oakland contested it so vigorously that the matter went up to the California State Supreme Court for repeal. In a similar Ordinance concerning Sunday

<sup>10b</sup>Ibid., pp. 68-86

<sup>11</sup>H. H. Zimmerman, The Super Market Grows Up, pp. 20-23.

hours, the Illinois State Supreme Court reversed the lower court rulings on the contention that cities have no authority to permit some lines of business to operate on Sunday and prohibit the same privileges to others. In some places such as Camden and Atlantic City, New Jersey, Ordinances were enacted imposing special license fees varying from \$5,000 to \$10,000 on super markets annually. But on February 4, 1937, the New Jersey Supreme Court set aside the Ordinances on grounds of arbitrary discrimination. The Brunswick and Milwaukee Ordinances were aimed at imposing a special license fee per year for each and every concession or department rented, leased or operated where more than four concessions in any such super market were in operation; but they were soon withdrawn in the face of opposition from super market operators.

Thus the super markets came out triumphantly in these legal battles and a few even stronger with the continued support of the American public. The chains and independent small grocers, having met with failure in their attempts, had to fall in line with the procession of super markets, as an alternative to extinction. The most interesting demonstration of the extent to which the chains had gone into super market operation can be found in the following table.

TABLE II

## CONVERSION OF CHAIN INTO SUPER MARKETS\*

Chains	1933 - 1938 Period	
	Stores Closed	Super Markets Opened
A & P Stores	933	204
American Stores	118	43
Safeway Stores	488	28

\*Source: M. M. Zimmerman, The Super Market, First Ed., 1955, pp. 64-65.

The super market movement also caught the fancy of another important sector of food distribution--the grocery wholesalers whose emergence into the field of super market operation added propulsion to the movement. The experienced and foresighted grocery wholesalers realized the future impact of the super market operation on the pattern of food distribution and the consequent dwindling of prospects for grocery wholesale business in general. Many wholesale grocers started their own super markets. The following table shows a few instances.

TABLE III

## EMERGENCE OF GROCERY WHOLESALERS INTO SUPER MARKET FIELD\*

Wholesaler	Super Market Started
Grosberg & Golub (Schenectady, New York)	Public Service Center, New York (now: Central Markets)
Uco Food Corporation (Newark, New Jersey)	Giant Tigers
American House Grocers (Elizabeth, New Jersey)	Big Bear
The Harrisburg Grocery Company (Harrisburg, Pennsylvania)	Giant Food Shopping Center, Washington, D. C.
Karlson Grocery Company (Kansas City)	Kansas City Trading Post

\*Source: "Looking Backwards: 25 Years of Super Market Progress," Super Market Merchandising, Vol. 20, No. 8, August, 1955, pp. 68-86.

## INFLUENCES OF WORLD WAR II

With the emergence of chains into the super market operation in the late 1930's, seeds of potential competition within the industry were sown. But the potential market was so big that the competition was not felt as much as it has been in the postwar period. While selecting the site for new super markets, areas away from the existing super markets were preferred, with the result that a wide geographical distribution of the industry was achieved. World War II put a temporary setback on the expansion of the industry.

In the postwar period the industry revived its activities toward rapid expansion. The roots of the industry were firmly established after its successful passage through the critical war period. The rapid development of the industry can be seen in the paragraphs that follow.

In the twelve-year period from 1940 to 1951, the number of super markets rose two and a half times and their combined sales volume increased six times. Average unit volume climbed from \$323,886 to \$803,220. The smallest percentage gain of any of the seven to grocers exceeded the largest of the non-grocers. Penny, Allied Stores, and Woolworth made from 8.2% to 8.9% gain while Food Fair, Safeway, Kroger, National Tea, American Stores, A & P, and First National made 26.2%, 20.2%, 15.8%, 14.6%, 10.9%, 10%, and 9.6% respectively.<sup>12</sup>

Sales of individual super markets (members of the Super Market Institute) in 1955 ranged from a minimum of \$1,000,000 to many million dollars. Thirty-eight percent did \$2,000,000 or more and twelve percent did three million dollars or more of sales. Average sales per super market in 1955 are estimated at \$1,640,000 as against \$803,220 in 1951.<sup>13</sup>

<sup>12</sup>Lawrence M. Hughes, "Are Super Markets Now Super General Stores?", Sales Management, Vol. 69, No. 1, July, 1952, p. 34, et. seq.

<sup>13</sup>The Super Market Industry Speaks, 1956, loc. cit.

The following table shows the development of the industry since 1940.

TABLE IV

GROWTH OF SUPER MARKETS 1940-55<sup>14</sup>

Year	No. of Stores	% of Increase in Number	\$ Volume of Sales	% of Total Grocery Business
1940	6,175	-----	1,000,000,000	22
1941	8,175	32.4	2,000,000,000	24
1942	9,011	10.2	2,500,000,000	25
1943	9,100	1.0	3,000,000,000	25
1944	9,460	4.0	3,500,000,000	26
1945	9,575	1.2	3,600,000,000	26
1946	10,057	5.0	4,500,000,000	27
1947	10,846	8.2	5,500,000,000	28
1948	11,970	10.3	7,000,000,000	29
1949	13,089	9.3	7,780,500,000	31.1
1950	14,217	8.6	8,507,850,000	35.2
1951	15,383	8.2	10,250,457,000	40.4
1952	16,501	7.3	12,356,000,000	41.8
1953	17,550	6.4	14,096,800,000	43.5
1954	18,845	7.4	16,092,000,000	48.0
1955	20,000	6.1	18,200,000,000	52.3

<sup>14</sup>Source: "Survey Shows Industry's Vigor," Super Market Merchandising, Vol. 20, No. 3, March, 1955, pp. 46-54.

It can be observed from the above table that the percentage of increase in the number of stores has remained fairly steady, and the industry's share of the total grocery business has been steadily increasing.<sup>14</sup> According to the 1948

<sup>14</sup>J. L. Block, "America's Top Retail Business Booms," American Business, Vol. 20, July, 1956, p. 16.

How are the Biggest Merchants? Business Week, May 11, 1957, pp. 31-33.

Census of Business, the food industry has elbowed its way from fourth to second position in volume--second only to the automobile industry.<sup>15</sup> Today the food chains claim special recognition for having taken half of the places on the list of the twenty biggest retailers in 1956.<sup>16</sup>

... of non-food  
 operations in most business. Their involvement was due to  
 the difficulties which the super market operators had to  
 experience.

The merchandising of non-foods presented many a problem  
 to the super market operators. Among all the grocery  
 merchandising techniques they were the "low price, high volume  
 deal" which could not be readily applied to non-foods for  
 want of adequate knowledge regarding their quality, size,  
 color, texture, and private brands.

Another difficulty, as to be described later in this  
 chapter, was that the manufacturers, which produce from the  
 drug manufacturers, were restricted from selling directly to  
 super markets. Going to other outlets, the super market  
 operators were forced to find ways of securing not only the  
 supplies of non-foods but also the techniques of merchandising  
 such goods. The same problem, whose solution will be explained

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<sup>15</sup>Quoted in "The Super Market: Revolution in Retailing," Business Week, June 28, 1952, pp. 38-52.

<sup>16</sup>"These Are the Biggest Merchants," Business Week, May 11, 1957, pp. 69-70.



### CHAPTER III

#### CHANNELS OF SUPPLY OF NON-FOOD ITEMS TO THE SUPER MARKETS

The channels of non-food supply are one of the important factors that have influenced the growth of non-food departments in super markets. Their prominence was due to the conditions which the super market operators had to experience.

The merchandising of non-foods presented many a problem to the super market operators because all the grocery merchandising technique they knew was "low price, high turnover" which could not be readily applied to non-foods for want of adequate knowledge regarding their quality, size, color, fashion, and private brands.

Another difficulty, to be described later in this chapter, was that the manufacturers, under pressure from the drug associations, were restrained from selling directly to super markets. Owing to these factors, the super market operators were forced to find ways of securing not only the supplies of non-foods but also the technique of merchandising such goods. The rack jobber, whose function will be explained in the following section, could readily solve these problems of the super market operators by virtue of his experience in non-food lines and technique of operation. The following table shows four important and one minor sources of supply.

TABLE V

## CHANNELS OF NON-FOOD SUPPLY TO SUPER MARKETS: 1953\*

Source	% of Supply			
	Drugs	Wares	Toys	Soft Goods
Manufacturer	67.2	58.3	65.5	79.2
Rack Jobber	24.1	66.8	28.4	46.6
Food Wholesaler	7.6	3.6	2.0	4.8
Other Wholesalers	12.1	36.4	11.4	4.7
Concessionaire	....	0.1	0.6	0.4

(Note: Total exceeds 100% because some stores purchase from more than one source.)

\*Source: "Non-foods Jump to Major Rank," Super Market Merchandising, Vol. 19, No. 1, Jan., 1954, pp. 35-48.

In addition to these sources, some new channels are coming into existence such as the manufacturers' rack service agencies, explained in a later section, through which non-foods find their way into super markets.

## RACK JOBBER

A rack jobber is one who enters into a contractual arrangement with the store operator for the use of a certain amount of floor or shelf space for the display of his merchandise, in consideration of a certain percentage on sales of that merchandise to be paid to the operator. The rack jobber assumes the responsibility for stocking, checking,

displaying and rotating his merchandise, relieving the store operator of the problems of purchasing, turnover, and investment. The following are the lines along which rack jobbers usually function:

1. He usually carries a limited number of what he considers best possible selling items.
2. All the merchandise is premarked at his own warehouse.
3. He maintains route men who make weekly calls on the chain of units contracted by him.
4. The functions of route men include (a) to deliver merchandise at the store, (b) to set up displays, (c) to keep record of shelf inventory, (d) to shift the slow movers to other units by rotation, and (e) to rotate the display to different locations in each store.

Prior to developing this technique of operation, many of the rack jobbers were already in the business as drug jobbers or wholesalers of hardware and household products. The ease with which the rack jobber entered into this field was largely facilitated by their experience in handling the lines. Most of them operate on a local basis serving the stores from a central warehouse. According to the estimates of The American Rack Merchandisers Institute, rack jobbers in 1954 handled 25,000 different houseware items in super markets, with sales amounting to \$149 million.<sup>1</sup> This compares

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<sup>1</sup>"Non-food Notes," Super Market Merchandising, Vol. 19, No. 12, December, 1954, p. 11.

to \$100 million in 1952.<sup>2</sup> About three-fourths of the super markets are served by rack merchandisers of health and beauty aids and housewares. They have been gradually adding new lines such as soft goods, stationery, toys, electric supplies, children's books, pet accessories, baby needs, and garden supplies.<sup>3</sup>

These activities may not yet be taken to indicate that the rack jobber is gaining strength and holds a bright future. As indicated by Table V, a greater percentage of super markets is inclined to purchase directly from manufacturers rather than rely upon other agencies. The following are some of the reasons that explain this tendency.

1. Rack merchandisers usually offer a margin of 25% while direct purchase from manufacturers yields as much as 36% to 39% on many non-food lines. Super market operators whose net profit margin has been declining tend to utilize every opportunity to augment income.<sup>4</sup>
2. The trend toward consolidation in the super market industry may facilitate the big organizations' financing their non-food departments independently and purchasing the merchandise directly from manufacturers.<sup>5</sup>
3. It has been observed that rack merchandising

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<sup>2</sup>"Rack Jobbers," Business Week, September 5, 1953, p. 52.

<sup>3</sup>"Contribution of the Rack Merchandiser," Super Market Merchandising, Vol. 20, No. 3, August 1955, p. 151.

<sup>4</sup>Infra, p. 49.

<sup>5</sup>Julian H. Handler, Fundamentals of Selling the Super Market, First Edition, 1956, Fairchild Publication, Inc., New York, pp. 71-72.

is not the best arrangement.<sup>6</sup> Certain operational drawbacks are:

- (a) Owing to regular rotation of merchandise under rack merchandising operation, it is possible to find on the shelves many slow-moving items. Slow turnover of merchandise means less efficient utilization of selling space.<sup>7</sup>
- (b) The display set up by the rack merchandiser is not the property of the store; the store manager, therefore, usually does not pay due attention to it. Displays need constant attention in order to keep them attractive. Arrangement of merchandise on the shelves gets disturbed as shoppers pick up their selections. Such merchandise, irregularly placed, if not immediately attended, spoils the effectiveness of the display. Sometimes, the whole display needs to be shifted to a different location in the store for better exposure to the traffic. If adjustments of this type are not made timely, sales volume falls.
- (c) The arrangement is not flexible and competitive for appropriate and timely price changes. Super market operators measure the effective utilization of display space in terms of both turnover and dollar gross profit.<sup>8</sup> They therefore adjust the prices in order to regulate turnover and dollar profit per square foot, whenever such action is considered expedient.

Contrary to the above disadvantages, the American Rack Merchandisers Institute lists these advantages of the

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<sup>6</sup>Super Market Merchandising, Vol. 18, No. 8, August, 1953, p. 67.

<sup>7</sup>Infra, p. 55.

<sup>8</sup>Infra, p. 55.

rack jobbers to the manufacturer.<sup>9</sup>

(a) He is an in-store service specialist--like the food and biscuit manufacturers, he knows there is no substitute for service to the store by trained personnel.

(b) He maintains price. The service distributor pre-prices merchandise. He visits retail outlets periodically and polices pricing diligently. He must maintain prices to continue to guarantee the dealer the prescribed profit margin. No such control is possible through any other distribution method.

(c) He quickly launches new items. The service distributor can take a new item and have it placed on display very quickly after receiving the merchandise. He can guarantee outstanding displays in thousands of outlets in time for initial advertising blast. Control of the housewares section on the basis of guaranteed sale assures full display in the right spot and on an ample number of shelves. Display is not left to the whim of the location manager.

(d) He assures maximum sales. The service distributor is a 100 per cent housewares specialist. He looks for new items with sales potential and for new methods of display. Optimum housewares sales is his bread and butter.

Though it might be argued that small independent super markets cannot eliminate rack jobbers for want of investment and space, the improvements that are being made in the methods of grocery distribution such as manufacturer's rack service and the cooperative non-food wholesale services might limit the opportunities of rack jobbers.

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<sup>9</sup>Handler, Julian H., Selling the Supermarkets, First Ed., 1956, pp. 84-85.

## MANUFACTURER'S RACK SERVICE

Of late, some of the manufacturers of extensive lines of non-food products have adopted rack jobber's technique for merchandising their products. It has been possible for them to reduce their profit margins so as to give this extra service without cutting into super market's percentage of profit. As an example, the House of Huston Corporation, Miami, Florida, may be called to attention.<sup>10</sup> The marketing plan of their "pet care" items consists of the following:

1. Each store is furnished with a floor rack, identified by a sign which reads "Pal Pet Shop," featuring House of Huston products.
2. These stands are serviced on a regular schedule by driver-salesmen who carry refill merchandise in trucks.
3. All items are price marked at the company's plant.
4. The larger stores are visited weekly while the smaller ones fortnightly or once in every three weeks.
5. Dealers are allowed a gross profit of 33 1/3%.
6. The company provides displays in five different sizes.
7. Route books are maintained by the salesman for noting the volume of sales.
8. The company has warehouse facilities and truck operations in every major city from coast to coast.

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<sup>10</sup>John D. Horn, "Merchandising Non-food Items Through Super Markets," Journal of Marketing, Vol. XVIII, No. 4, April, 1954, pp. 380-386.

This type of distribution is feasible and economical for those large manufacturers who have extensive lines. The manufacturers of diversified lines that are distributed through different types of retail outlets and also those having limited lines cannot profitably adopt this type of distribution. It does not, therefore, seem probable that this system will grow prominent.

However, some manufacturers have started organizing mutual sales agencies as a means of introducing their lines to super markets. For instance, the Ohio Associated Manufacturers, Cleveland, is one of such agencies, consisting of a group of twelve manufacturers of housewares, stationery, and toys.

If these agencies are turned into regular rack service operation and are operated on a cooperative basis, they seem to have good prospects for development because they eliminate the profit element at the intermediary stage of distribution and pass it on to retailer for greater cooperation.

The use of such cooperative manufacturers' rack service agencies may well be confined to those manufacturers (a) whose lines are mostly sold through super markets or which are suited to super market operation, (b) who do not have competing lines, and (c) who do not have other lines that are already distributed through established channels of distribution.



term period, however, according to "Looking Backwards: 25 Years of Super Market Progress," there seems to be indication that the development of new types of distribution might limit this volume of business. While concession departments tend to eventually disappear, wholesalers may be reduced to the status of minor sources of non-food supply.

of this department was typical 1950s, with preparations, first aids, shaving cream, baby needs, women and children, cosmetics, and hair treatments. Table VI gives the percentages of these groups.

In 1951, 10% of the leading food stores carried these lines. Since 1951, this percentage increased to 42, 46, 50, 55, and 64% in 1954, 1955, 1956, 1957, and 1958. With a larger number of super markets selling drugs, the dollar volume of business has increased considerably as shown below:

Year	Value
1951	\$10,000,000
1952	\$12,000,000
1953	\$15,000,000
1954	\$18,000,000
1955	\$22,000,000
1956	\$28,000,000
1957	\$35,000,000
1958	\$45,000,000

W. S. [unclear], [unclear] Street [unclear], 1958, p. 211.

Quoted from Super Market Merchandising (a) Vol. 19, No. 2, Nov. 1958, p. 57; (b) Vol. 21, No. 1, Jan. 1959, p. 67; and (c) Vol. 17, No. 2, March 1957, p. 19.

Quoted from "Grocery's Growth," Main Store (a) Vol. 12, No. 8, July 1956, p. 30; (b) Vol. 11, No. 7, July 1955, p. 28; (c) Vol. 9, No. 7, July 1953, p. 27; (d) Vol. 19, No. 7, July 1957, p. 71; and (e) Vol. 27, No. 7, July 1959.

## CHAPTER IV

### A REVIEW OF NON-FOOD DEPARTMENTS IN THE SUPER MARKETS

#### HEALTH AND BEAUTY AIDS

The health and beauty aids were the first non-foods introduced in the super markets.<sup>1</sup> The major groups of items of this department are hygiene needs, hair preparations, first aids, shaving needs, baby needs, creams and lotions, cosmetics, and home remedies. Table VI gives the particulars of these groups.

In 1941, 37% of the leading food stores carried these lines. Since then, this percentage increased to 64, 76, 89, 92.9, and 93.3 in 1949, 1950, 1951, 1952, and 1953.<sup>2</sup> With a larger number of super markets selling drugs, the dollar volume of business has increased considerably as shown below:

1947	\$106,570,000 <sup>3</sup>
1950	168,000,000
1952	305,000,000
1953	368,000,000
1954	459,000,000
1955	486,000,000

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<sup>1</sup>M. N. Zimmerman, The Super Market, First Ed., 1955, p. 241.

<sup>2</sup>Compiled from Super Market Merchandising: (a) Vol. 19, No. 2, Feb. 1954, p. 57; (b) Vol. 18, No. 1, Jan. 1953, p. 41; and (c) Vol. 17, No. 3, March 1952, p. 39.

<sup>3</sup>Compiled from "Grocer's Manual," Chain Store Age: (a) Vol. 32, No. 8, July 1956, p. 98; (b) Vol. 31, No. 7, July 1955, p. 139; (c) Vol. 30, No. 7, July 1954, p. 123; (d) Vol. 29, No. 7, July 1953, p. 91; and (e) Vol. 27, No. 7, July 1951.

TABLE VI

## PARTICULARS OF HEALTH AND BEAUTY AIDS DEPARTMENT (CHAIN SUPER MARKETS) 1955\*

Item	Total Estimated Market (1955)	Super Market Sales (Chains)	% of Department Sales	No. of Brands
Hygiene needs	\$ 215,000,000	\$ 105,000,000	22	6 to 10
Hair preparations	300,000,000	77,000,000	15 to 20	10
First aid items	132,000,000	33,000,000	6	2
Shaving needs	200,000,000	X	9	10 to 20
Baby needs	60,000,000	30,000,000	6 to 9	X
Creams and lotions	140,000,000	X	5	6 to 7
Cosmetics	260,000,000	X	2	X
Home remedies	(subject to state laws)		12 to 30	X
X Not Available				

\* "Grocer's Manual," Chain Store Age, Vol. 32, No. 8, July 1956, p. 98.

The following are some of the reasons for the rapid growth of this department:

1. Most brands of drug lines are advertised and "recognized" by the customers of the super markets.
2. Such goods are small and conveniently packaged and therefore do not cause any problems of space and are well suited to self service operation.
3. The dollar volume per square foot of space averages twice as much as the average grocery product.
4. The turnover of major items (see Table VII) is high. It rose from 13.1 in 1953 to 14.6 in 1954.<sup>4</sup>
5. The average profit margin is 30.5%.
6. Fair trade of such goods is general.

Today almost all super markets have drug departments. The number of lines carried in each store differs, though in general each item is being carried by an increasing number of stores as shown by the following table.

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<sup>4</sup>"Non-food Notes," Super Market Merchandising, Vol. 19, No. 12, December 1954, p. 11.

TABLE VII

PERCENTAGE OF SUPER MARKETS CARRYING SELECTED HEALTH AND BEAUTY ITEMS: 1946 AND 1954\*

Item	% of Super Markets Carrying	
	July 1954	May 1946
Blades and razors	91	79
Headache remedies	89	75
Dentifrices	87	58
Shampoo	85	10
Cold remedies	77	58
Tooth brushes	73	35
Antiseptics	70	36
Hair tonics	68	26
Hand lotion	68	41
Deodorants	63	22
Baby oils	56	14
After shave lotion	55	26
Permanent wave sets	45	2

\*Source: A. C. Nielson Company's Studies, quoted in Super Market Merchandising, Vol. 20, No. 7, July 1955, p. 15.

Table VII indicates that (a) the super markets tend to carry the lines already proved successful in other stores and (b) some items such as shampoos, deodorants, baby oil, hair tonics are of particular interest to them. This is due to the fact that these items contribute more toward the total sales volume than many other items, as shown by Table VIII.

TABLE VIII

SURVEY CONDUCTED BY TOWNE-OLLER AND ASSOCIATES IN 14,000  
FOOD MARKETS OVER 13 WEEK PERIOD: 1955\*

Item	% of Total Drug Department's Sales
Tooth paste	19.6
Shampoo	14.4
Headache remedies	9.6
Permanent kits	6.6
Deodorants	5.4
First aid	4.8
Baby products	4.5
Men's hair preparation	4.0
Razor rack	3.9
Miscellaneous	3.8
Face Preparations	3.1
Women's hair preparations	2.9
Hand preparations	2.4
Laxatives	2.4
Mouth washes	2.1
Shaving cream	1.3
Anti-aids	1.2
Talcum powder	0.8
Denture products	0.7
Tooth powder	0.6
Nail preparations	0.5
Cold tablets	0.3
Fixatives	0.2

\*Source: Quoted in Super Market Merchandising, Vol. 20, No. 10, Oct. 1955, p. 31.

A few items such as toothpaste, shampoos, and headache remedies contribute just under 50% of the total sales of the department. Yet the super markets carry other items for the shoppers' convenience. However, the number of such items is limited; the department's average was 232 in 1954.<sup>5</sup>

<sup>5</sup>"Non-food Notes," loc. cit., p. 13.

The following table throws further light on the number of lines carried in the drug department.

TABLE IX

NUMBER OF LINES CARRIED IN THE DRUG DEPARTMENT OF  
SUPER MARKETS: 1953<sup>6</sup>

Number	% of Companies Carrying (Drug Department) 1953
up to 50	8.4
51 to 100	23.9
101 to 200	33.5
201 to 300	20.7
301 to 400	0.6
401 to 500	3.2
501 to 1000	2.6
1001 to 2000	3.9
Over 2000	<u>3.2</u>
Total	100.0

<sup>6</sup>Source: "Non-foods Jump to Major Rank," Super Market Merchandising, Vol. 19, No. 1, Jan. 1954, pp. 35-48.

About 86.50% of the companies carry below 300 lines. It seems that the super markets do not go in for rapid expansion in all lines because only a few top selling items account for most of the business.<sup>6</sup> Another limiting factor is the selling space which is allocated to each group of items in relation to its sales and gross margin.<sup>7</sup>

<sup>6</sup>Infra, p. 58.

<sup>7</sup>Infra, p. 55.

## SOFT GOODS

Soft goods include mainly lines such as socks, nylons, underwear, towels, dish cloths. Many super markets deal in these lines while some chains such as Food Fair have complete self service wearing apparel department with private brand names.

There are various reasons why super markets are tempted to go into these lines:

1. The margin of profit on them is as high as 30 to 40% gross.
2. Items such as underwear, towels, and dish cloths are purchased repeatedly.
3. They are of daily use and can be included as "incidental pick ups" to take advantage of the high customer traffic.
4. They are not subject to violent changes in fashion.
5. They do not occupy selling space disproportionate to their sales volume as, for example, appliances.
6. They are low priced and impulse items; therefore, point of purchase promotion is more effective.
7. They do not enjoy much consumer brand preference like many other grocery lines nationally advertised; therefore, the big chains might possibly introduce their private brands with relatively less competition from national brands.

Despite these favorable factors, super markets were not active in these lines in the early period of their introduction. The percentage of super markets selling soft



goods remained steadily at two per cent in 1949, 1950, and 1951. Various reasons account for this slow movement.<sup>8</sup>

Mark-downs. Especially on articles of wearing apparel, the loss from mark-downs is unavoidable. The tempting high mark-up on soft goods looks less attractive after losses from mark-downs are considered. On the principle of super market operation, if operators price their merchandise low in order to be competitive, profit margins will be eaten up by mark-downs.

Merchandise assortment. In order to effectively deal in soft goods, a large assortment of merchandise of different sizes, colors, and qualities should be displayed to provide for wider selection. This would mean invitation of problems of additional capital, space, and of slow-movers. Soft goods admit an infinite range of sizes, grades, types, colors, and style, while tubes of tooth paste and cans of tomatoes come in standard sizes and brands.

Low turnover. No customer buys socks and underwear as often as she buys bread and soup. The characteristics of grocery merchandise, i.e., perishable nature and repeated use of items, are not present in the same degree in soft goods with the result that any attempt to deal in soft goods would

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<sup>8</sup>"Non-food Notes," Super Market Merchandising, Vol. 18, No. 3, March 1953, p. 27.

mean forcing an alignment of low and high turnover items with the attendant problems.

Pilferage. Because of low value and big size of grocery items, traffic in pilferage does not assume high dimensions so as to concern the operator much. But when soft goods are introduced, the value of each unit being high relative to its size, the pilferage problem is magnified.

Packaging. Packaging has been suggested as a device to prevent damage to the merchandise in self service departments and also to discourage pilferage. Even if cellophane packaging is adopted, it is doubted how far "sight and touch" appeal in self service departments can be maintained.

Margin of profit. It is argued that only the fast selling soft goods will be allowed an entry into super markets to avoid the problem of mark-downs. But fast sellers in any field rarely yield as high a margin as the average for that field. It is believed that high margins and high volume are not compatible.

Brand importance. The brand popularity of soft goods being less, a smaller percentage of customers is pre-sold. It means there is a greater necessity for a highly developed point-of-sale effort for soft goods. If this effort is ignored, customers tend to buy on price considerations which ultimately lead to dealing in inferior soft goods, thereby ruining the reputation which super markets have enjoyed for

high quality foods. To add to this, the attitude of Mrs. Customer is also equally important. In the words of the vice president of Hosiery Guild: "When she gets a bad can of branded tomatoes, the customer does not blame the store. She blames the canner. But if she gets a shoddy pair of socks, she will blame the store."<sup>9</sup> It can be inferred from this how a brand name can shift the blame from dealer to manufacturer. As soft goods are not well known brands, the dealer has to assume the risk of losing his customers even for the slightest defects in soft goods.

Merchandising technique. The grocer has neither the training nor the disposition to be a buyer of apparel and textiles. The super market merchandising philosophy of buying cheaper and selling cheaper on the principle of high turnover of merchandise does not apply to the apparel field. This policy results in a strong temptation to pick up less expensive assortments though their lower price might be due to lower quality.

In answer to these objections and problems, The Hosiery Guild Corporation has developed a marketing program for super markets.<sup>10</sup> The following are the main features of the program:

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<sup>9</sup>"Super Markets Move Into Big New Field," Business Week, No. 1182, April 26, 1952, p. 41.

<sup>10</sup>F. Engle, "Why Soft Goods Need Creative Packaging Now," Printers' Ink, Vol. 257, No. 9, November 30, 1956, p. 77.

1. It guarantees quality and gives the consumer confidence in the packaged product by having U. S. Testing Company make continual quality checks at the mills.
2. The hosiery line is broken down to five family "groups" of socks (boys', women's, men's, girls' anklets, fancy athletic socks).
3. It simplified buying by providing clear instructions at the point of sale so that shoppers know what size to buy.
4. It makes it easy for the producer by setting up an automatic system of re-ordering when the stock gets down to a certain level.

The Guild's four point formula has apparently proved successful since it had 1000 super markets as outlets for hosiery in 1952, with an overall annual sales volume reaching several million dollars. However, in a typical big city area, for instance, super markets pushed up hosiery sales from \$18,000,000 in 1952 to \$78,000,000 in 1955.<sup>11</sup> In Philadelphia the sales of hosiery in department stores and specialty stores dropped as shown on Table X while super market sales had quadrupled as indicated above.

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<sup>11</sup>P. Engle, "Why Soft Goods Need Creative Packaging Now," Printers' Ink, Vol. 257, No. 9, Nov. 30, 1956, p. 77.

TABLE X

HOSIERY SALES IN DIFFERENT RETAIL OUTLETS IN  
PHILADELPHIA: 1952 AND 1955\*

Retail Outlet	1952	1955
Department stores	43.4	37.7
Women's specialty stores	21.8	14.1
Hosiery	11.8	15.7
Variety stores	7.2	7.7
Super markets	2.6	10.9
Shoe stores	2.0	5.4
All others	11.2	8.5

\*Source: Survey by Lassiter, quoted in Super Market Merchandising, Vol. 20, No. 11, Nov. 1955, p. 33.

The sales of these items in general are encouraging and the potential market of four billion dollars for soft goods in super markets indicates further expansion of this department. It is expected, however, that any expansion will be highly selective in that in the main the most promising lines will be encouraged.<sup>12</sup> Table XI indicates the attitude of the super market operators toward soft goods.

<sup>12</sup>"Non-food Notes," Super Market Merchandising, Vol. 19, No. 1, Jan. 1954, p. 12.

TABLE XI

SURVEY CONDUCTED BY SUPER MARKET MERCHANDISING AND THE  
NEW YORK UNIVERSITY SCHOOL OF RETAILING: 1953\*

Chain Size	% of Stores				% of selling space for soft goods
	Display space reduced?		No. of brands reduced?		
	Yes	No	Yes	No	
1 - 3	36.4	63.6	9.1	90.9	11.0
4 - 10	41.1	56.8	21.6	72.9	8.2
11 - 25	24.8	75.2	6.6	93.4	13.0
26 - 50	28.9	71.1	...	100.0	8.6
Over 51	66.0	34.0	9.5	90.5	3.9

\*Source: "Supers Bid Welcome to Soft Goods," Super Market Merchandising, Vol. 18, No. 7, July 1953, pp. 27-40.

The majority of super markets seems to be inclined to continue to stock soft goods lines. There is, however, no indication that the super market operators would indulge in increasing the display space for soft goods, for the percentage of selling space allotted to this department does not seem to result in a proportionate increase of the percentage of dollar sales.

On the whole, chains having less than fifty stores each seem to be more active in these lines than the big chains for two reasons: (a) the big chains are under less pressure to expand the non-foods than the smaller chains. While there are exceptions, the smaller chains and independents experience keener competition in food lines from

the big chains. Therefore, they find relief in expanding the non-food departments.<sup>13</sup> (b) Big chains are slow in expanding the non-food departments because of the problems of policy and administrative convenience. Whenever the issue of expansion is considered, they would prefer setting up complete departments to merely increasing a few lines because large scale expansion would facilitate economies in buying and merchandising. This, however, does not indicate that big chains do not encourage non-food departments in general. One problem associated with soft goods in particular is servicing. Full-fledged soft goods departments need special care and experience which many super market operators lack even today. Until such time that they gain confidence in this field, the super market operators tend to maintain either full departments on a concession basis or to carry a moderate number of lines to keep the department functioning.

#### HOUSEWARES AND APPLIANCES

Though the housewares rank next to food as kitchen needs, their merchandising and selling techniques are entirely different because of the following factors:

1. They need more space.
2. Their turnover is low.

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<sup>13</sup>"Non-foods Jump to Major Rank," loc. cit., 1954, pp. 35-68.

3. They need heavy investment.

4. High priced items bring problems of payment and of answering customers' inquiries regarding make, quality, and so forth.

Despite these problems, the super market operators have generally welcomed these lines and developed a new technique of in-and-out promotion. They sell an assortment of goods such as housewares, furnishings for a limited period of two or three weeks by rotation so that the customers may find a new assortment of items each time they visit the store. This technique, based on the principle: "Since you cannot change the customers, then change the items to keep sales hot," is emerging as a dominant merchandising pattern and has solved the problems of space, turnover, and investment.<sup>14</sup> This technique is not confined to this department. It is applied in general for promoting many other items of seasonal demand. The percentage of super markets selling hardware items rose from 16 in 1949 to 56.2, 74.6, and 84 in 1951, 1952, and 1953.<sup>15</sup>

In 1955, super market accounted for \$100,000,000 sales of housewares through regular sales, in-and-out promotions and premium offerings. The number of items handled varies from 50 to 2,000. The price per unit is usually below one

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<sup>14</sup>M. N. Zimmerman, The Super Market, First Ed., 1955, p. 245.

<sup>15</sup>Ibid., p. 245.



dollar. The gross profit on housewares is around 25% if arranged through rack jobbers, while a margin as high as 35% is possible on direct purchasing from a manufacturer. The following were the percentages of sales of each group of items in the department in 1955:

TABLE XII

PERCENTAGE OF SALES OF EACH GROUP OF ITEMS IN THE DEPARTMENT OF HOUSEWARES: 1955\*

Item	% of Department's Sales
Glass	18
Plastics	16
Aluminum ware	13
Kitchen ware and miscellaneous	33
Tin ware	11
Electric goods	5
Rubber goods	4

\*Source: "Grocer's Manual," Chain Store Age, Vol. 32, No. 8, July 1956, p. 101.

The growing sales volume of this department has been constantly presenting problems of space and display despite the new techniques developed from time to time. Very recently the operator of Earl's super market in Phoenix, Arizona, satisfactorily solved this problem by arranging compartments (shadow boxes) above the two rows of frozen food cases instead of keeping them in one corner for want

of adequate space.<sup>16</sup> As a result of this arrangement, the sales volume of housewares has increased by 50% within six months. The selling space was enlarged for frozen foods to accommodate housewares to reap the profits on both the departments.

Through these ingenious methods the super market operators have been trying to do the best possible business in these lines. However, there are no apparent indications at present to make it seem that this department will grow significantly in size in the future. The table shown below gives particulars of the space allotted and the number of items carried in this department.

TABLE XIII

## PARTICULARS OF SPACE ALLOTTED AND NUMBER OF ITEMS CARRIED IN THE DEPARTMENT OF HOUSEWARES\*

Number	% of Companies Carrying	No. of sq. ft.	% of Companies
up to 50	34.7	up to 5	4.8
51 - 100	23.1	5 - 10	17.6
101 - 200	23.1	11 - 25	28.6
201 - 300	5.0	26 - 50	18.2
301 - 400	3.3	51 - 100	17.0
401 - 500	0.8	101 - 200	4.2
501 - 1000	5.8	201 - 500	4.2
1001 - 2000	2.5	501 - 1000	3.0
over - 2000	1.7	over - 1000	2.4

\*Source: "Non-foods Jump to Major Rank," Super Market Merchandising, Vol. 19, No. 1, Jan. 1954, pp. 35-48.

<sup>16</sup>"Housewares," Progressive Grower, Vol. 35, No. 9, Sept. 1956, p. 124.

About 80% of the companies carry below 200 houseware items while 69.2% have a display space of not more than 50 square feet. This indicates that the super market operators do not want to expand this department as a permanent feature but to do as much business as possible on in-and-out promotion technique, carrying a limited number of items round the year. Considering the unit value, size, and turnover of these lines, the super markets tend to continue capitalizing on this technique of operation.

#### HOUSEHOLD SUPPLIES

Allied to food lines are the household supplies such as detergents, soaps, polishes, light bulbs, and cleaning implements. This is one of the most important non-food departments, usually placed in grocery division for maximum exposure to the traffic. In 1955, they accounted for 5.1% of the total store sales. The table given below shows some of the features of this department.

TABLE XIV

DEPARTMENT OF HOUSEHOLD SUPPLIES: PARTICULARS REGARDING  
GROUPS OF ITEMS, GROSS PROFIT MARGINS, NUMBER OF BRANDS  
CARRIED AND PROMOTION TECHNIQUES: 1955\*

Item	% of Dept. Sales	% of G. P.	No. of Brands	Promotion
Detergents	54	Below 10	15	Regular
Soaps	10	Below 10	....	Regular
Cleaners	9.8	15 to 20	7 to 10	Regular
Laundry supplies	8.3	16 to 19	50 to 60	Regular
Waxes and polishes	7.7	Over 25	....	In-and-Out
Light bulbs	2.6	50		Regular
Cleaning implements	1.5	27 to 35	30	Spring/Fall
Canning needs	1.5	Over 25	10 to 15	Apr. - Nov.
Pesticides	0.8	30 to 40		In-and-Out
Shoe polishes	0.8	Over 40		Regular
Candles	0.6	40 to 45	Many	Regular
Garden supplies	0.6	30 to 35		Seasonal
Auto needs	0.3	35 to 45		Spring/Fall
Matches	1.5	15 to 20	3 to 4	Regular

\*Source: Compiled from "Grocer's Manual," Chain Store Age, Vol. 32, No. 8, July 1956, p. 98.

The margin of profit on these lines is attractive, the average being 32%. Items in about half of the groups are sold seasonally or under in-and-out promotion. These promotional activities are regulated in relation to the seasonality of the product, volume of sales, margin of profit, number of brands and size of items. For instance, matches are sold year round though the margin of profit on them is comparatively low because the demand is not seasonal and they do not occupy much space. The same is the case with

laundry supplies, with the exception that a larger number of brands is carried in view of their larger sales volume. Shoe polishes are sold under promotion despite a high margin of profit because the year round sales volume is not high.

On the basis of their contribution to the total store sales, the lines in this department can be broadly classified as (a) detergents and soaps and (b) other household supplies. The percentage contribution to total store sales has decreased slightly, but the dollar volume of such sales has been steadily increasing as can be seen in the table given below:

TABLE XV

SALES VOLUME OF MAJOR GROUPS OF HOUSEHOLD SUPPLIES  
IN CHAIN SUPER MARKETS: 1950-55\*

Groups	% of Total Store Sales					Total Dollar Sales (in millions)				
	1955	1954	1953	1952	1950	1955	1954	1953	1952	1950
Soaps and detergents	3.3	3.4	3.6	3.6	3.7	594	578	576	522	444
Other Households	1.8	1.7	1.5	1.5	1.4	324	289	240	217	168

\*Source: Compiled from "Grocer's Manual," Chain Store Age, 1956-51.

The percentage of each group's sales to total store sales has remained steady while its dollar volume has been increasing. This is due to increasing volume of total store

sales. Since many items in this department are not as frequently demanded as groceries, they continue to be sold under promotion.

#### MAGAZINES, BOOKS, AND RECORDS

Today most of the super markets sell magazines. In some stores magazines account for one percent of total store sales. The growing popularity of this department is due to the following factors:

1. Magazines are returnable.
2. They do not require marketing.
3. They carry 20 to 25% gross margin.
4. Their average turnover is 17 times a year.<sup>17</sup>

Magazines need a high traffic location and good display. Generally 75 to 100 periodicals can give enough variety for high volume sales.

Pocket books, particularly children's books, offer good sales volume. Racks do not take more than 20 linear feet to display 400 titles which provide fairly good selection. Turnover of these books is as high as 50 times with a weekly sales volume \$473 in a representative store.<sup>18</sup>

It seems that the sale of music records in super markets can be promoted even without test playing. Music

<sup>17</sup>"Grocer's Manual," loc. cit., 1955, p. 195.

<sup>18</sup>"Magazines and Books Make Money," Super Market Merchandising, Vol. 19, No. 2, Feb. 1954, p. 123.

records allow self service and offer another promising outlet for super markets to reap profits. Gross profit of about 25 to 30% on records is possible. A line of 75 to 120 records offers good selection.

According to Music Merchants' Incorporated, which sells records to 400 super markets in the East, super markets can turn an inventory of \$300 with a floor space of two square feet, 17 times a year, equal to \$4000 worth of business, making a profit of \$1,250.<sup>19</sup> Shifts in popularity of music records dictate constant change of records on display. Record racks need special display for effective sales volume. Considering the trend toward super markets spreading into suburban areas, it seems that the super markets will enjoy a good potential market for this department.<sup>20</sup>

#### STATIONERY

The stationery lines have not been making much headway in general. Though more than half of the super markets carry some stationery lines, complete assortments are carried by a comparatively small percentage of the markets. For instance, in 1953, about 68% of the stores carried school supplies, ink and other stationery while 33.4% carried fountain pens.<sup>21</sup>

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<sup>19</sup>"Records Play Super Profit Tune," Super Market Merchandising, Vol. 19, No. 11, Nov. 1954, p. 68.

<sup>20</sup>Infra, p. 46

<sup>21</sup>Zimmerman, op. cit., p. 247.

The following are the main problems connected with this department:

1. Excessive pilferage.
2. Difficulty of ordering merchandise correctly to needs.
3. Irregular items of stationery present problems of neat display.

Despite these problems, the Western operators have been doing good business.<sup>22</sup> Their experience reveals that this department yields as much as 25 to 40% gross margin and that the turnover is sufficiently high to justify its existence. This department, however, does not show signs of rapid expansion, for it is primarily meant to cater to the needs of the children who go along with their mothers for shopping. So the assortment of supplies on display is bound to be small and selective.

#### PAPERWARE

This is one of the top ranking non-food departments. With a gross profit of 20 to 24%, this department accounts for 1.9 of the total store sales. In 1950, all the super markets did a business of \$263.6 million in paperware while the chains did only \$192 million;<sup>23</sup> the percentage of grocery

<sup>22</sup>"Stationery," Chain Store Age, Vol. 30, No. 1, Jan. 1954, p. 60.

<sup>23</sup>Super Market Merchandising, Vol. 17, No. 8, Aug. 1952, p. 75; and "Grocer's Manual," Chain Store Age, Vol. 27, No. 7, July 1951, p. 91.



store volume to the total domestic volume of paper goods being 64.54. Since then, the volume of business of this department has been increasing as shown below:

TABLE XVI

## GROCERY CHAINS PAPERWARE DEPARTMENT SALES: 1950-55\*

Year	% of Total Store Sales	Total Dollar Sales (in millions)
1950	1.6	192
1952	1.8	261
1953	1.9	304
1954	1.9	323
1955	1.9	342

\*Source: Compiled from "Grocer's Manual," Chain Store Age, 1956-51.

The steady percentage rate of this department's sales to total store sales indicates that the sales have been increasing proportionately to the increasing sales volume of the store.

The department has year round sales and shows signs of further expansion.<sup>24</sup> As early as 1952, many women were buying paper goods in the super markets as indicated by the following table:

<sup>24</sup>Quoted in Super Market Merchandising, Vol. 17, No. 8, August 1952, p. 75.

TABLE XVII

SURVEY CONDUCTED BY BATTEN, BARTON, DURSTINE AND  
OSBORNE ADVERTISING AGENCY: 1952<sup>25</sup>

Item	% of Interviewees (Women) Buying in Super Markets
Toilet tissue	97
Facial tissue	94
Paper plates	93
Straws	85
Sheet paper	81

<sup>25</sup>Source: Quoted in Super Market Merchandising, Vol. 17, No. 8, Aug. 1952, p. 75.

With most shoppers buying paperware almost exclusively in super markets, this department is likely to grow to the optimum point of sales volume possible.

#### TOYS

Toys are one of the groups of non-food products that have high potential sales volume in super markets, because people of all age groups visit the super markets at least once a week. The percentage of super markets selling toys rose from 10.5 in 1947 to 48.3 in 1953.<sup>25</sup> Yet many super market operators hesitate to get into this line because toys need expert handling. The following are the problems typical of toy lines:

<sup>25</sup>"Non-foods Jump to Major Rank," loc. cit., 1954, pp. 35-48.

1. Not all toys are fast selling. They need careful selection, taking into consideration the local appeals.
2. It is difficult to judge the quality of toys. Purchasing is therefore not easy.
3. Toys need special display and consume larger floor space.
4. Merchandising needs special technique because not all toys are salable year round.

Despite these problems, some operators have been experimenting with this department and their experience reveals that proper selection is the key note of success in this line. Toys, to be suitable for self service, should be: (a) safe to handle, (b) simple in operation, (c) durable, (d) free from complicated parts, (e) need no demonstration or explanation.

Though sales volume is very high on occasions like Christmas, toy sales are not essentially seasonal. With a well planned year round program, a toy department can be maintained carrying a limited assortment of items with constant rotation and periodic promotions. The experiences gained by two of Grand Central's super markets in California are worth mentioning here. In their two units, one with 49,000 square feet at 750 East 21st South, Los Angeles, and the other with 35,000 square feet at 9th South, they devoted 3,500 square feet in each store for a toy department and

sold over a million dollars worth of toys in 1955.<sup>26</sup> The following are the lines on which they run their toy departments:

1. Reachable mass display: the displays are usually at eye level height for easy sight selection. The merchandise is moved twice each week to a new location to spark sales.
2. Variety of items: they believe in offering a wide selection. They usually stock 1500 to 5000 items for Christmas and purchase only from known manufacturers of quality toys.
3. Allocation of display space according to the degree of promotion needed for each type and price range.
4. Wide price range from 10¢ to \$39.95.
5. Mark-up is frequently adjusted to encourage turnover and volume sales. Regulars are marked at 33 1/3% while promotions at 25 to 27%.
6. Layout of department: the principle is ease of selection by grouping toys by children's age groups and sex.
7. Specialized toy buyer with supervisor appointed to work exclusively for toy department under toy manager.
8. Careful observation of general trends affecting toy sales.
9. Maintain accurate records.
10. Uniform price marking on right hand corner of the container.

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<sup>26</sup>"Two Units Share \$1 Million in Toys," Chain Store Age, Vol. 32, No. 6, 1956, p. 70.

11. Constant experimentation to introduce new toy gift items each season.
12. Advance planning and promotion.
13. Year round program is planned with accent on puzzles in January, kites in spring, Easter baskets at Easter, wheel goods in May, cowboy hats in July, educational toys in the fall and all at Christmas.

Planned promotion determines the growth of this department. Per capita sales of toys in 1954 for the nation's 46,775,500 children under 15 were \$19.20 as against \$11.93 in 1940, while the total retail volume of the toy industry is estimated at one billion dollars.<sup>27</sup> If the number of children continues to stay large, or increase, and the standard of living stays high, or goes higher, the super markets may well have a growing potential market for toy departments.

The departments reviewed so far can be broadly classified as: (a) well established, (b) progressing, and (c) promising. Health and beauty aids, household supplies, and paperware can be grouped under well established departments in view of their steadily increasing sales volume, while such departments as music records and so forth can be regarded as progressing departments which have not yet developed but show wide potentialities for rapid expansion.

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<sup>27</sup>"Non-food Notes," Super Market Merchandising, Vol. 20, No. 9, Sept. 1955, p. 31.

In general all the non-food departments are progressing. Their overall contribution to the total store sales is growing significantly, compared to other major divisions of the super markets.

The growing importance of non-food departments in super markets and also of their possibilities for future expansion in the future, is being well served by developing what are called big "department-super markets." A recent sales store, for instance, has adopted a 15,000 square foot self service system that carries exclusively in non-food departments such as dresses, cosmetics, women's wear, small items, novelties, toys, hardware, tools, clothing, gift items, jewelry, children's wear, and supplies, etc. The Volapostol Department Store, Cross, Big Food Super Market in Baltimore, City, New Fair Super Market in Philadelphia, and Food Super in Portland are just a few more examples which fall under the category of "department-super markets."

On the other hand, the modern retailers are exhibiting a tendency to contract their units into self service stores with few departments attached. Examples of this kind are the "self service" which was essentially a self-service unit for auto supplies, hardware, and gift items, but completely unattached

<sup>1</sup> "Department Store Anything," Business Week, Dec. 1953, Jan. 12, 1954, p. 119.

## CHAPTER V

### OBSERVATIONS OF AMERICAN SUPER MARKET TREND

In view of the growing importance of non-food departments in super markets and also of their possibility for further expansion in the future, a trend has started to develop what are called big "department-super markets." A Grand Union Store, for instance, was enlarged to 45,000 square feet with 20,000 square feet devoted exclusively to non-food departments such as giftware, cameras, music records, small lamps, furniture, rugs, hardware, tools, clothing, soft goods, jewelry, fishing gear, auto supplies, notions.<sup>1</sup> The Weingarten Corporation, Houston, Texas, Big Bear Super Market in Columbus, Ohio, Food Fair Super Market in Philadelphia, and Fred Meyer in Portland are but a few more examples which fall under the category of "department-super markets."

On the other hand, the non-food retailers are exhibiting a tendency to convert their units into self service stores with food departments attached. Gambles Kogmo Stores, for instance, which was originally a retailing unit for auto supplies, hardware, and soft lines, was completely converted

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<sup>1</sup>"Supers Sell Most Anything," Business Week, No. 1428, Jan. 12, 1957, p. 119.

into a big self service store with all departments including a complete line of food items.<sup>2</sup> The chain drug stores have already entered the self service field and some are even experimenting with drug-and-food combination stores<sup>3</sup> such as the Parkview Drug Stores in the Kansas City area.

The self service technique of retailing being thus no longer the monopoly of super markets, and with the emergence of the so-called "department-super markets," the future status of today's super markets has become the target of discussion in retailing circles.

Two schools of thought have developed on this issue. The first school believes in the highly specialized food market. The protagonists of this school maintain that there still exists an inexhaustible job to be done in perfecting the methods of efficiency of operation in the food field alone. Their main contention why non-food should be given secondary consideration is that the consumer-traffic of super markets is built on food business and that therefore food should remain the dominant merchandise in the store.

The second school argues that the time is ripe for super markets to take advantage of the growing traffic through its technique of "sight and touch" selling. The

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<sup>2</sup>"The Super Market: Revolution in Retailing," Business Week, No. 1191, June 28, 1952, p. 48.

<sup>3</sup>Ibid., p. 49.



people of this school visualize the inevitable growth of all-inclusive one-roof shopping centers. Some enthusiasts such as the executives of Hiram's super market, Los Angeles, Penn Fruit Company, Inc., Philadelphia, Steven's Markets Inc., Miami, opine that the super markets might turn into big general markets with 100,000 square feet to accommodate as many as 50 departments.<sup>4</sup> According to them, the super markets are bound to lose their identity as food markets in the future.

There is, however, one group of operators such as The Safeway Stores, Inc., which believes in adaptability to changing conditions as dictated by consumer-soverignty.

A point on which all operators agree is that the volume of food business in the future super market will not be reduced. The controversy therefore centers around the status of non-food departments in the future super markets.

#### SHIFT OF POPULATION TO SUBURBS

A study of the U. S. population trends shows a shift of families to suburban areas. As can be noticed from the table given below, population in the suburban areas grew 50% during the period of 1940 to 1955, while the central cities

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<sup>4</sup>"Tomorrow's Super Market: A Preview of 1980," Super Market Merchandising, Vol. 20, No. 8, Aug. 1955, pp. 213-238.

and non-metropolitan areas registered 20% and 10% increase respectively, the average U. S. increase of population being 23% during the same period.

TABLE XVIII  
UNITED STATES POPULATION TRENDS\*

Area	Population in Millions	
	1955	1940
Non-metropolitan areas	67.7	61.3
Central cities	52.0	43.4
Suburbs	42.9	27.0
Total	162.6	131.7

\*Source: Analysis by Arno H. Johnson, A Report of the Mid Year Discussion Meeting, Super Market Institute, 1956, p. 8.

This suburban phenomenon has been markedly noticed in the last few years. From April 1, 1950 to the end of 1955, total population grew approximately by 13 million, but the greater portion of this expansion settled in suburbs.<sup>5</sup>

This phenomenon is aptly suited to super markets which need spacious areas for ideal shop location and parking facilities. The super markets are therefore moving

<sup>5</sup>Statistical Abstract of the United States, 1956, Tab. 2, p. 5.

more and more toward the suburbs as shown below:

TABLE XIX  
MOVEMENT OF SUPER MARKETS TOWARD SUBURBS\*

% of New Markets Surveyed					
<u>Metropolitan</u>	<u>Small</u>	<u>Medium</u>	<u>Large</u>	<u>Extra Large</u>	<u>Colossal</u>
1954	31.6	18.1	6.7	38.5	27.3
1953	22.2	19.2	22.0	12.0	33.3
1952	41.4	31.0	24.2	----	3.4
<u>Suburban</u>					
1954	55.3	65.1	90.0	61.5	68.2
1953	66.7	64.4	63.4	76.0	66.7
1952	26.2	31.0	19.1	4.8	11.9
<u>Rural</u>					
1954	13.1	16.8	3.3	----	4.5
1953	11.1	16.4	14.6	12.0	----
1952	30.8	30.8	7.6	15.4	15.4

Note: Small (under 5000 sq. ft.), Medium (5000 to 10,000 sq. ft.), Large (10,000 to 15,000 sq. ft.), Extra Large (15,000 to 20,000 sq. ft.), Colossal (above 20,000 sq. ft.)

\*Source: Compiled from Super Market Merchandising: (a) Vol. 20, No. 2, Feb. 1955, pp. 43-56; (b) Vol. 19, No. 2, Feb. 1954, p. 45; and (c) Vol. 18, No. 1, Jan. 1953, p. 39.

It can be observed from the above table that the trend is toward spreading of super markets more and more in suburban areas. This movement has also facilitated enlarging of the size of units as can be noticed in the table given below.

TABLE XX

## GROWTH OF THE SIZE OF "IDEAL" SUPER MARKETS\*

Year	Selling Area sq. ft.	Floor Area sq. ft.	Parking Area sq. ft.
1949	8,500	11,700	21,800
1953	10,900	15,600	47,200
1956	12,600	17,900	62,100

\*Source: Super Market Industry Speaks, 1956, p. 17.

This is what has been described by The Super Market Institute members as "ideal size" of average super market in the respective years.

The movement of population to suburbs is largely facilitated by the increasing use of the automobile with the result that the problem of parking cars is becoming acute.<sup>6</sup> The ample provision made by super markets for parking areas (see Table XX) means that shoppers find it more convenient to shop under this one roof rather than to visit a number of stores with the attendant problems of time, distance, and expense.

Thus, an analysis of the above trends--migration of population to suburban areas, spreading of super markets into

<sup>6</sup>Statistical Abstract of the United States, 1956, Tab. 671, p. 550.

suburbs, growing size of the super markets, problem of parking and trend toward one-stop shopping centers--reveals that the super markets could become the most convenient one-stop shopping centers and sell all kinds of non-food merchandise.

#### ECONOMIC EXPEDIENCY

A factor that facilitates the growth of non-food departments is the willingness of super market operators to indulge in any such expansion, if feasible. Their willingness, in turn, is dictated by economic expediency.

The typical performance of the super market operator shows that his net operating profit before taxes is 2.56 per cent.<sup>7</sup> Analysis of the net profit margin reveals that he makes profits in microscopic figures on each one dollar of sales as shown below.

<sup>7</sup>Super Market Industry Speaks, 1956, p. 11.

TABLE XXI

COST AND PROFIT SHEET OF \$1 ITEM\*  
(THOROPARE MARKETS, PITTSBURG)

	Cents
Cost of the item:	84
Store expense:	10.4100
Store wage:	5.5700
Stamps:	.0020
Advertising:	.0087
Miscellaneous:	.0011
Merchandise profit:	.0082
	<u>\$1.00</u>
Merchandise profit:	.0082
Other sources of income	
Saved by discounting bills:	.0073
Concessions and leased depts.:	.0020
Coffee operation:	.0025
Miscellaneous income:	.0006
Rebate for promotions, displays:	.0103
	<u>.0309</u>
Less interest and sales tax:	.0015
	<u>.0294</u>
Less income tax:	.0158
Net profit:	<u>.0136</u>

\*Source: "Super Market Hits Brand Name Jacket,"  
Editor & Publisher, Vol. 89, No. 35, Aug. 25, 1956, p. 17.

With this profit margin, the super market operators face another pressure. With the gruelling competition and the consequent need for frequent store modernization, the life span of a sales productive super market will be reduced. This puts a premium on speed in recovery of investment. Non-foods make it possible to write off the investment faster by bringing in additional dollar profit volume.

#### GROWTH OF PREPACKAGING

Self service is no longer the monopoly of super markets. It is spreading to all types of retail operation. The growth of self service operation has resulted in increasing application of the prepackaging technique to all kinds of merchandise. Even curtains and drapes, which, at one time it was believed could not be prepackaged, are now prepackaged.<sup>8</sup>

What is noticeable is not merely the growth of prepackaged items, but consumers' acceptance of them. The self service technique of operation has changed the attitude of shoppers toward prepackaged items. Even in department stores where service is still retained, many non-food items

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<sup>8</sup>"Non-food Notes," Super Market Merchandising, Vol. 20, No. 2, Feb. 1955, p. 11.

displayed on the counters are prepackaged. According to the National Dry Goods Association, the average large department store carries 30,000 prepackaged items.<sup>9</sup> This indicates the depth of penetration possible for super markets into non-foods.

#### UTILIZATION OF SELLING SPACE

The success of super market operation is largely due to the ingenious methods employed in store operation. Super market operators constantly strive for new techniques and devices to help attain maximum efficiency of operation. The following results of a survey conducted by the Department of Agriculture reveal areas where the possibility of further efficiency of operation exists.<sup>10</sup>

The survey dealt with "relation of size of shelf space to sales of canned fruits and vegetables." Seventeen items were selected to find out their weekly gross dollar margin per store per shelf of food, in five super markets. The results of the survey are:

- (a) Sales and gross margin per unit (shelf foot) with a two row display exceeded by nearly five times the additional sales and gross margin for each added row or display unit.

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<sup>9</sup>Ibid., Vol. 18, No. 1, Jan. 1953, p. 10.

<sup>10</sup>Quoted in "Getting the Most from Your Shelves," Super Market Merchandising, Vol. 18, No. 5, May, 1953, pp. 195-199.



(b) Sales of the seventeen selected items showed an increase of only 10% for each row added to the first two rows. Likewise, sales decreased 10% on an average as the size of the display was decreased from 6 to 2 rows.

(c) If the additional display rows over and above the first two rows were to be emptied, a saving of 36% of shelf space would be available for displaying other new items. (In another store, the saving of shelf space was 43%.)

(d) When such additional display space was stocked with new items, gross margin per shelf foot increased from \$1.76 to an estimate of \$2.50 in one store and from \$1.68 to \$2.51 in another.

These conclusions indicate broadly that such display space could be saved through efficient allocation of shelf space to each item displayed without prejudice to the overall sales volume of the store. Any such saving of space could be profitably employed for displaying non-foods.

#### CONSUMER TRAFFIC IN SUPER MARKETS

The philosophy of super market operation is high turnover of merchandise at low price. Therefore, super markets do business in millions and enjoy high consumer traffic as can be observed from the table shown below.

TABLE XXII

SALES VOLUME OF SUPER MARKETS\*  
 (MEMBERS OF SUPER MARKET INSTITUTE)

Year	\$1,000,000 or more	\$500,000 to 1,000,000	Under \$500,000
1951	20%	34%	46%
1952	28	30	42
1953	34	30	36
1954	40	30	30
1955	46	27	27
1956	50	27	23

\*Source: Super Market Industry Speaks, 1956, p. 9.

With an average sale per customer transaction of \$4.25 and an average number of weekly customers per store of 7,248, the increasing sales volume of super markets indicates possibility of increasing consumer traffic.<sup>11</sup> How frequently the shoppers visit the stores is yet another indication of the growing importance of super markets as a nucleus of shopping trips, as shown in Table XXIII.

<sup>11</sup>Super Market Industry Speaks, 1956, p. 9.

TABLE XXIII

## SHOPPING TRIPS OF WOMEN TO DIFFERENT TYPES OF RETAIL OUTLETS\*

Frequency	Gro- cery	Drug	Va- riety	Hard- ware	Dept. Stores
Daily:	29.1%	3.1%	2.0%	0.5%	1.8%
Weekly 3 or 4 times:	31.2	10.9	6.9	0.8	5.2
Weekly once or twice:	....	39.0	....	7.5	37.1
Less frequently:	....	....	50.7	91.2	55.9

\*Source: Silver Jubilee Number, Super Market Merchandising, Vol. 20, No. 8, Aug. 1955, p. 162.

About 60% of the shoppers visit the super markets daily or at least three or four times a week. No other retail outlet enjoys that much consumer traffic.

In view of the constant expansion of the size of super markets, their spreading into suburban areas and of their possibility of becoming one-stop shopping centers, super markets may enjoy still higher traffic in the future. They could, therefore, capitalize on this growing traffic by selling more non-food merchandise with little effort because, as revealed by the table given below, the trend is toward increasing impulse buying in super markets.

A larger percentage of the people tend to make decision on purchases in the store itself rather than planning

TABLE XXIV  
 IMPULSE BUYING IN SUPER MARKETS<sup>a</sup>

	% of Items Purchased		
	1945	1949	1954
Specifically planned and purchased:	48.2	33.4	29.2
Planned in a general way and purchased:	11.0	26.7	21.0
Purchased as substitute:	2.6	1.5	1.8
	51.8	66.6	70.8
Purchased without any previous plan:	38.2	38.4	48.0

<sup>a</sup>Source: Latest Facts About Today's Shoppers in Super Markets, E. I. Du Pont De Nemours & Company, Inc., Delaware, 1954, p. 7.

ahead of shopping, perhaps due to the impact of (a) self service and (b) point-of-purchase advertising. This tendency is particularly significant to the super market operator in that it helps to move non-food merchandise with a comparatively small outlay on advertising and promotional activities.

#### RESTRICTIONS ON SUPER MARKETS IN SHOPPING CENTERS

In 1954, 21.6% of the super markets were in shopping centers as against 39.2% in 1953.<sup>11b</sup> The percentage is declining. Super Markets seem to be not particularly favoring

<sup>11b</sup>"Supers Sell Most Anything," loc. cit., pp. 116-119.

shopping centers on account of many inconveniences they experience such as early closing hours of other stores, extra expenses, high rents. However, shopping centers do not tend to be completely deserted by super markets in view of the importance of sales volume.

Recently more and more shopping centers are leasing space to super markets with restrictive covenants concerning non-foods in super markets. Such restrictions might be: a limit on the floor space to be allotted to non-foods, a ban on selling some specified non-foods or payment of a penalty rate of rent should the floor space for non-foods exceed the permitted area.<sup>12</sup>

Such restrictions might hinder the growth of non-food departments of super markets situated in shopping centers.

#### ALLOCATION OF SELLING SPACE TO ITEMS

The increasing number of lines of merchandise carried and the expanding size of super market obviously call forth rational judgment of these two factors in terms of their relative contribution to store efficiency and economy.

Though different store operators put accent on different concepts of display--price, variety, orderliness, neighborhood character, novelty--the yardsticks with which

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<sup>12</sup> Ibid.

they measure the efficient allocation of floor area to displays are the twin factors--dollar sales and dollar margin. The results of a survey conducted by Progressive Grocer reveal interesting facts in support of this theory of operation.

TABLE XXV

ALLOCATION OF FLOOR SPACE TO DEPARTMENTS AND PRODUCT GROUPS IN SUPER MARKETS\*

Departments and Product Groups	% of Total Floor Space	% of Total Store Dollar Sales	% of Total Store Dollar Profit
<b>Departments:</b>			
Grocery	44.5	43.7	40.2
Meat	26.9	28.1	26.4
Produce	17.3	12.7	18.0
Frozen foods	5.0	4.1	5.3
Dairy products	4.0	8.6	7.4
Bakery	2.0	2.6	2.7
<b>Product Groups:</b>			
Household supplies	3.4	2.2	3.4
Beer and wine	2.5	0.8	1.2
Paper products	2.5	2.0	2.6
Soaps	1.7	2.6	1.2
Pet foods	1.2	0.9	0.8
Drugs and toiletries	0.9	1.5	2.3
Cigarettes	0.6	2.7	0.9
Pet supplies	0.05	0.04	0.07

\*Source: "Foodtown Study Provides New Guide to Better Space Allocation," Progressive Grocer, Vol. 34, No. 3, March 1955, p. 54.

It can be deduced from the above table that:

(a) Percentage of total space occupied by each department and by each product group in each department tends to be in accordance with the

percentage of total sales contributed by that department and product group in that department.

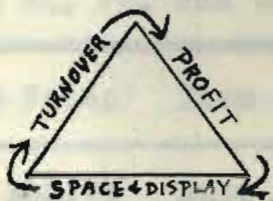
(b) A close relationship is in evidence between the space occupied and the gross profits on sales.

It is generally understood that display space is allocated to store departments and, within each department, to each group of items, in proportion to their contributions to total store sales; but the fact that some items such as soaps with a relatively low average gross margin, contributing less to total store sales than to total dollar profit, calls forth the need for setting up a suitable measuring rod that gives weight to products of the aforesaid classification. The survey figures quoted above seem to suggest that the underlying philosophy is built around the concept that the total space allocated to departments and its product groups should be measured as nearly as possible in terms of gross profit as well as dollar sales.

This formula of space allocation is essentially linked with merchandise turnover because the dollar sales volume of a given item is determined with reference to its turnover. In super market terminology, merchandise turnover is therefore viewed with reference to space utilization also. The frequency with which a can or box is picked up by Mrs. Consumer determines three factors:

1. Rate of merchandise turnover and dollar profit.

2. Degree of effectiveness of display.
3. Degree of economical utilization of space.



Therefore the three factors stand in a triangular relationship and jointly account for their performance.

All non-food items do not have uniform rate of turnover and margin of profit nor do they occupy equal shelf space. They therefore warrant selection for efficient promotion in accordance with the theory of operation discussed above. Selective distribution is therefore a limiting factor on the growth of non-food departments.

The results of a study of Foodtown Super Markets, Cleveland, as shown below, reveals why super markets tend to be highly selective in dealing with non-foods.

From this information it can be seen that (a) among the 151 product groups in the store, 8 of the store's 15 top performers of dollar sales per square foot are food items but 11 of the 15 top performers of gross profit per square foot are non-food items. Three of the top seven dollar sales performers are non-food items.



TABLE XXVI

LEADING PRODUCERS OF DOLLAR SALES AND GROSS PROFIT  
PER SQ. FT. PER WEEK

Item	Sq. Ft.	\$ Sales	Item	Sq. Ft.	\$ Profit
Butter	5.7	162.91	Hair spray, rinses	0.4	31.28
Hair spray, rinses	0.4	115.85	Insecticides	0.4	21.65
Instant coffee	7.1	109.94	Bandages, tape, etc.	0.4	21.45
Tomato soup	2.2	84.24	Dentifrices	3.3	15.96
Milk and cream	6.2	85.30	Clothes pins	0.2	14.89
Bandages, tape, etc.	0.4	79.47	Headache remedies	0.9	14.45
Cigarettes	21.0	74.01	Laxatives	0.1	12.34
Margarine	4.7	63.65	Butter	5.7	12.21
Regular coffee	33.0	59.47	Deodorants	1.4	9.43
Dentifrices	3.3	59.13	Water softeners	0.7	8.94
Headache remedies	0.9	53.52	Milk & cream	6.2	8.80
Insecticides	0.4	53.30	Margarine	4.7	7.82
Whips	1.0	48.78	Whips	1.0	7.65
Water softeners	0.7	48.61	Tomato soup	2.2	7.41
Spaghetti	0.2	48.05	Shampoo	4.0	7.40

\*Source: "Foodtown Study Provides New Guide to Better Space Allocation," Progressive Grocer, Vol. 34, No. 3, March 1955, p. 54.

From this information it can be seen that: (a) among the 323 product groups in the store, 8 of the store's 15 top producers of dollar sales per square foot are food items but (b) of the 15 top producers of gross profit per square foot, 10 are non-food items. Three of the top seven dollar sales producers are in non-food lines.

AVERAGE CUSTOMER'S CHECK

Despite the increasing sales volume of non-food departments in super markets, the average sale per customer transaction has not increased materially as indicated below:<sup>13</sup>

1957 . . . . .	\$ 4.73
1955 . . . . .	4.25
1952 . . . . .	3.87
1950 . . . . .	3.54

The low average sale per customer does not improve prospects for selling items in high price range. It means selected non-food items in the lower price range are fit for super market operation. Some contend that this theory does not hold good when super markets become established non-food sellers.<sup>14</sup> According to them, super markets would be just as regular centers for appliances and radios as any other hardware and department store.

In this age of installment buying, no retailer can possibly think of selling high priced items on a cash basis. The above argument therefore seems to imply that the super markets will eventually turn to credit operation giving up their "cash and carry" principle. If this were to happen, super markets would be reduced to the status of other retail

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<sup>13</sup>Super Market Industry Speaks, 1958, p. 63.

<sup>14</sup>Ibid., p. 63.

outlets such as department stores, with charge accounts, credit collections, and bad debts. This type of operation means higher store operating expenses. As indicated on page 61, the operating expenses of super markets have already gone up. Therefore, any changing to a credit operation would necessitate higher mark-ups. Consequently, turnover of merchandise would be low. Thus, with the giving up of the principles of "low margins and high turnover" and "cash and carry" super markets would undergo a transformation which would take them out of the present "super market" category.

#### CUSTOMER HABITS

Ninety-four per cent of all shoppers visit the super markets.<sup>15</sup> This plainly indicates that the store policy, the advertising, and the public relations efforts of super markets must be designed to hold current customers as well as to attract new ones. Customers prefer to shop in one store, but the trend may be towards "shopping around" as shown below:<sup>16</sup>

	1955	1954
Shop in one	36%	41%
More than one	64	59

<sup>15</sup>"There's a Change in Your Shopper's Habits," Super Market Merchandising, Vol. 21, No. 4, April, 1956, p. 99.

<sup>16</sup>Ibid., p. 99.

The housewife wishes to be as efficient as possible in her shopping. A super market that makes it possible for her to accomplish most or all of her shopping in one place, under pleasant conditions, will very likely keep her trade. When there is as much movement to other markets, as is indicated above, something is lacking in the operation of the losing markets. A survey conducted by Super Market Institute indicates factors in choosing a favorite super market as indicated below:

TABLE XXVII

## CUSTOMER'S REASONS FOR SELECTION OF SUPER MARKET\*

Most Important	Per Cent	Less Important	Per Cent
Quality and freshness of meats	15	Friendliness of employees	7
Attractiveness of super market	14	Better parking facilities	5
Low prices	13	Fast checkout service	3
Variety of merchandise	13	Large store--wide aisles	2
Convenient location	12	Self service meats	2
Quality and freshness of fruits and vegetables	12	Trading stamps--premium plan	2

\*Source: "There's a Change in Your Shopper's Habits," Super Market Merchandising, Vol. 21, No. 4, April, 1956, p. 99.

It seems fairly evident that meats are an important item used for rule-of-thumb appraisals of super markets by the average customer. Low prices are certainly appreciated, but good and fresh meats are more frequently given as a

reason for selecting a super market. Location is probably more important than these figures indicated, as they may take the convenient location for granted.

Customers' habits can be turned to the advantage of the super market by promoting consumer education.

#### PILFERAGE

The petty thief was described as the housewife or husband who stole for economic reasons, or a whim, an impulse or frustration, or "just trying to get away with something for nothing." Today, the shoplifter is no longer petty. In 1955, gross sales of food stores in the 10 Southern California counties exceeded \$2 billion. Customer pilferage cost market operators approximately one per cent to one and a half per cent of their gross receipts. Using a conservative figure of one per cent, this pilferage loss well exceeded \$20 million in 1954. In Los Angeles County alone, there were approximately 4485 food stores of which 507 can be classified as super markets. Gross receipts of these super markets range from \$500,000 to \$8,000,000 annually. The average value per theft was \$2.33.<sup>17</sup>

The Central Record Bureau, maintained by the Commercial Service Systems, reveals the following information:

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<sup>17</sup>"Lost! \$20 Million!" Super Market Merchandising, Vol. 21, No. 2, February, 1956, p. 66.

Thefts by males were higher than thefts by females (59 per cent to 41 per cent). The highest number of thefts occurred on Saturday and gradually lessened in the following order: Friday, Sunday, Thursday, Tuesday, Wednesday, Monday. The most popular hour for shoplifting is between 4 and 5 p.m., followed by 3 to 4 p.m., 5 to 6 p.m., 6 to 7 p.m., 7 to 8 p.m., and 8 to 9 p.m. Morning hours reflected lowest pilferage. Twenty-eight per cent of the shoplifters were over 50 years of age; 23 per cent were between 20 and 30 years of age; 21 per cent were between 40 and 50 years of age; 8 per cent were between 11 and 15 years of age; 6 per cent were between 16 and 20 years of age; 1 per cent was between 5 and 10 years of age.<sup>18</sup>

These problems should be kept in mind by all retail operators since this current trend will increase with the growth of serve-yourself types of establishments. "Anybody can sue anybody for any amount." This fact has caused many merchants to be fearful of the words: "False Arrest," "Libel," "Slender," "Defamation of Character" and they have become "do nothings" about the shoplifting problem. Certainly, the operators must be careful as to how they infringe upon the personal rights of an individual. However,

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<sup>18</sup> Ibid., p. 66.

in the vast majority of shoplifting cases that have gone to court, trust has prevailed in the courtroom, and mistakes were proved to be mistakes and not malicious purpose. Personnel properly trained in the apprehension of shoplifters will reduce these false arrest fears. Preventive measures taken to reduce shoplifting can be given as below:<sup>19</sup>

1. Cooperative action by the retail industry has been and still is the best preventative measure. The development of a Central Record Bureau utilizes this cooperative action and protects the merchant from the person who already has a record of shoplifting.
2. A warning letter is sent to the shoplifter who is not prosecuted advising him that he is now on record in the Central Record Bureau.
3. Warning signs are placed strategically in the store to protect the retailer from potential shoplifters as well as those already on file in a Central Record Bureau.
4. Educational programs for the employees teach them how to work as a team on the shoplifting problems, and where their specific duties of cashiers, floor clerks, and supervisory personnel are properly allocated.
5. Notice of the prosecution of the shoplifter with publicity follow-ups appears in neighborhood newspapers and magazines.

Shoplifters' preferences as to merchandise stolen, the number of thefts and the average value per theft is as follows:<sup>20</sup>

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<sup>19</sup>"Shoplifter Now Professional," Super Market Merchandising, Vol. 21, No. 2, Feb. 1956, p. 67.

<sup>20</sup>Ibid., p. 67.

TABLE XXVIII  
WHAT SHOPLIFTERS STEAL

Merchandise	No. of Thefts	Average Value per Theft
Groceries	4,872	\$ 1.06
Drugs	4,248	1.64
Meats (Delic.)	3,588	2.32
Hardware	1,596	2.30
Liquor	1,152	3.19
Clothing	1,002	3.62
Miscellaneous*	956	2.06

\*Radios, toys, jewelry, gloves, glasses, magazines, pen-fillers, nylon hose, candy.

The self-service market, since it holds store personnel at a minimum, is particularly prone to losses from shoplifters. It is considerably more of a problem to the super market that cannot absorb these losses as easily as the department store. Items that are too small may be rejected by super market operators on the basis of the pilferage susceptibility alone, unless units can be grouped in a package that overcomes this difficulty. Some small items are displayed near checkout-counters where supervision is possible, but this area is limited.

In the shoplifting problem, super market operators must realize they can never completely eliminate customer pilferage in their stores. They should accept the fact



that preventive measures must be taken to keep pilferage at a minimum just as rules and regulations in the handling of money by cashiers is enforced.

One of the most remarkable developments in the recent history of food retailing has been the phenomenal increase in the number of items handled. Twenty-five years ago, in general, stores consisted of canned and dried fruits and vegetables, cereals, family linen, bread and other baked goods, a limited line of dairy products, sundries and hardware, both dry-goods and clothing, beverages, soap, spices, sugar and canned meats, cigarettes, fresh milk, tea, coffee, beer and wine, and many other lines but not yet assumed the added importance that they now have in the modern store. It is with these various items sold in every variety that this section will deal.

Each of the major sections have its special food department: the grocery department, the produce department, the meat department, and related lines departments. Cigars, frozen foods, and many lines are usually included in the grocery department. The sales are divided among these three departments in nearly the same percentages. The grocery share in department sales is roughly as follows:<sup>1</sup>

<sup>1</sup>Interview with the manager of the big store.

## CHAPTER VI

### A REVIEW OF THE FOOD DEPARTMENT IN THE SUPER MARKETS

One of the most remarkable developments in the recent history of food retailing has been the phenomenal increase in the number of items handled. Twenty-five years ago, in general, stock consisted of canned and dried fruits and vegetables, cereals, family flour; bread and other baked goods, a limited line of dairy products, spaghetti and macaroni, bulk cookies and candies, beverages, soups, spices, sugar and canned meats, cigarettes, fresh meats, ice cream, beer and wine, and many other lines had not yet assumed the sales importance that they now have in the modern stores. It is with these various items sold in super markets that this section will deal.

Most of the super markets have at present four departments: the grocery department, the produce department, the meat department, and non-food lines department. Bakery, frozen foods, and dairy lines are usually included in the grocery department. The sales are divided among these three departments in nearly the same percentages. Two grocery stores in Emporia were surveyed as follows:<sup>1</sup>

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<sup>1</sup>Interviews with the managers of the two stores.

TABLE XXIX

## PERCENTAGE OF TOTAL SALES IN TWO EMPORIA SUPER MARKETS\*

Department	Per Cent of Sales A & P	Per Cent of Sales Reeble's
Groceries (Non-food items included)	56	65
Produce (Frozen foods included)	11	15
Meat	33	20

\*Source: Interviews with store managers.

Non-food items sold are included under groceries, as there is no breakdown for this line of product.

The various departments of a super market will be discussed in the following sections.

## GROCERY DEPARTMENT

Including, usually for accounting purposes, many lines other than actual groceries, the grocery department was and still is the main department for a super market. It represents from 55 to 65% of the total sales. Apart from the grocery department, it usually includes the bakery department, which according to the Progressive Grocer,<sup>2</sup> represents about 7% of the total sales of the store; bread and rolls 4.1% and other bakery goods 2.6%. As for the dairy department,

<sup>2</sup>Progressive Grocer, November, 1950, p. 76.

its development began with the availability of good refrigeration equipment for super markets.

The last department to develop within the grocery department is the frozen foods department, which is taking over the spotlight of the food business which the meat department held some years ago. Many stores are now doing 4% to 6% of their total sales in frozen foods.<sup>3</sup> Since they do not make a breakdown according to frozen foods, it is impossible to give the figures for the A & P and Reeb's stores. The greatest single factor in this sales climb has been the tremendous increase of items in the frozen foods line. Many existing stores have enlarged their departments for frozen foods, and new markets are devoting two to three times more space to frozen foods than they did a few years ago. With sales high, frozen foods are now definitely a source of profit. Although much of the sales in frozen foods represents extra, new ones for the super markets, a certain portion of frozen food sales is at the expense of fresh produce sales. This is particularly true for oranges and certain other standard products.<sup>4</sup>

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<sup>3</sup>Chain Store Age, March, 1954, p. 84.

<sup>4</sup>"Frozen Foods in the Super Market," Super Market Institute, p. 36.

## PRODUCE DEPARTMENT

This department, handling fresh fruits and vegetables, does not represent a statistically high percentage of sales, about 10% to 15%. Its main importance is derived from the fact that a produce department in which the customers can find very fresh items will lead them to prefer to buy in the store where this department is available. In other words, a good produce department has very great advertising appeal. This advertising appeal leads us to consider what customers like in a produce department. A survey was conducted by the IGA stores and the results were as follows:<sup>5</sup>

Here are some positive reactions as to what customers liked about the fruit and vegetable departments in stores:

There is not a thing I don't like about the department.

Always fresh and prices are reasonable.

Always a large supply of fresh fruits and vegetables.

Clean and neat at all times.

Everything is near and nice.

Always look fresh and clean, and you have a wide choice.

These are the reasons given by customers for liking the produce department of one store more than another. This

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<sup>5</sup>Grocergram, December 1952, pp. 20-22.

cross section of opinion seems to be enough to give the idea of what the customers are looking for in a produce department. It would be useful also to know what they do not like in a produce department. This can be shown from the same IGA survey:<sup>6</sup>

I do not like picked-over fruits and vegetables, dirty and bruised.

Dirty and messy with parts of rotten apples and grapes lying around.

Do not like wilted leaves hanging from vegetables.

I detest seeing old lettuce leaves.

Not fresh and well kept.

Not clean and in order.

They never try to keep things clean.

Poor quality.

Some of the above comments are harsh words, but that is what the customers interviewed said and in instances they were referring to some stores operated by some of the largest operators in the United States.

In short, what the customers want is clean stores, good quality of fruit and vegetables, fresh, clean, and attractively displayed. Prices must not be disregarded but they are not the first or only consideration with the customer. In the study reported in the Grocergram Magazine,

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<sup>6</sup>Ibid., pp. 20-21.

price was mentioned only as a side issue in relatively few instances by customers included in the studies.

#### MEAT DEPARTMENT

Regardless of how far the progress has gone in self service meat selling and in producing the kind of meat consumers want there will always be a need for good butchers. A store should establish a reputation for consistent quality, but customers are interested too in seasonal bargains. Here skill is required of the butcher. For instance, he can take the bones out of heavy cuts and roll them for attractive roasts when the occasion demands. If roasts are moving slowly in summer, he will make steaks. The running of the meat department must be a flexible operation; when to start and when to stop has to be known.<sup>7</sup>

Self service is the other factor ruling the super market meat department. It developed chiefly after the second World War. One important obstacle to the growth of complete self service is the fact that no practical way has been found of packaging fresh beef.

The third factor in meat merchandising is freezing. This way of selling meat was developed also after World War II. In addition to the ready-to-sell packages of frozen

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<sup>7</sup>Chain Store Age, January 1954, p. 58.

meats, which are cheaper than the fresh ones, there are opportunities for retailers to use more bulk packaged frozen products. Packers use their freezers to relieve the market of many cuts of fresh meat which are temporarily in surplus. These frozen cuts are now offered to the retail trade at prices which are very attractive to those who know how to use them.

All these developments resulted in the fact that, at present, more than 10,000 super markets have a self service meat department.<sup>8</sup> Self service had, moreover, recently made substantial gains both in number of stores selling meat by this method and in percentage of total meat sales. Thus far the self service meats have been primarily confined to large stores because of the expenses involved in such a department.

These developments have placed in jeopardy independent business competition. While there is a strong interest in shopping centers, even before the war, the latter have been particularly popular in chain individual centers have carefully been they had after the war. In most cases adjacent shopping areas would be expected to support a major shopping center.<sup>9</sup> The latter must be well situated in relation to other transportation, at the crossing of the highways or near a main road.

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<sup>8</sup>Chain Store Age, March 1954, p. 95.



## CHAPTER VII

### FACTORS OF STORE LOCATION, LAYOUT, ETC., PERTAINING TO SUPER MARKET OPERATION

#### STORE LOCATION

In view of the American super market, first, in the urban areas, decentralization is becoming an accomplished fact and many super markets' executives are convinced that the trend will continue. In most cases the locations selected today are either in new business districts supported by new housing or in the smaller outlying communities, part of urban areas.

Most super markets' organizations are showing more and more interest in shopping center locations, particularly those which have been planned to become independent business communities. While there is a strong interest in shopping centers, some failures with such projects<sup>1</sup> led the chains in particular to study individual centers more carefully than they had after the war. In most cases adjacent housing alone cannot be expected to support a major shopping center.<sup>2</sup> The latter must be well situated in relation to mass transportation, at the crossing of two highways or near a bus stop.

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<sup>1</sup>Super Market Merchandising, Vol. 13, No. 3, March, 1953, p. 40.

<sup>2</sup>Ibid., p. 40.

In the grocery field in the case of stores which are situated outside shopping centers, the minimum requirement for a parking area seems to be an area three times the size of the store.<sup>3</sup> More thought is being given to the purchasing power of the area to be supplied than to its population. That people in the high and middle income groups are moving to the newer districts with better housing should be considered.

Loss of some stores is occurring in older districts. The point at which an older store is closed is usually related very directly to the cost of the lease. Rental rates are going down in proportion as the location is less desirable and the chain policy usually is to renew old leases if they are sufficiently down to maintain a profitable business in the old location.<sup>4</sup> Most super market operators are in favor of leasing rather than owning their stores, since only 27.5 per cent of the operators own their stores and 63.7 per cent lease stores.<sup>5</sup>

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<sup>3</sup>Super Market Merchandising, op. cit., p. 42.

<sup>4</sup>Super Market Merchandising, Vol. 20, No. 12, Dec. 1955, p. 24.

<sup>5</sup>Super Market Merchandising, Vol. 18, No. 3, March 1953, p. 42.

## STORE LAYOUT

Location may be good, store may be well-lighted, the merchandise may be exactly right for certain types of business, every courtesy may be shown customers, and yet sales may lag because the store layout is poor and the displays are unattractive.

Objectives of store layout are (1) to bring customers and merchandise together so that the greatest gross margin per square foot of floor space is produced in a given time and (2) to arrange the performance of the operations in the space so that expenses are at a minimum amount.<sup>6</sup>

In planning the arrangement of counters and display fixtures, with due regard to aisle space, the following basic principles will be helpful:<sup>7</sup>

1. Arrange for wide aisles to permit easy flow of customer traffic. At least three persons should be able to walk abreast in the aisles of store.

2. Counters, cases, and other fixtures, which are not against the walls, should be so low that customers may have an unobstructed view of the entire floor.

3. Aisles should run direct from the entrances.

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<sup>6</sup>Fred M. Jones, Retail Merchandising, Richard D. Irwin, Inc., Homewood, Ill., First Edition, 1957, p. 130.

<sup>7</sup>Walter F. Show and Edith W. Kay, How to Start Your Own Business, Ziff-Davis Publishing Co., N. Y., 1945, pp. 67-70.

4. The arrangement should invite customer circulation throughout the store. It should be easy for customers to get close to the goods on shelves and in displays.

5. Shelving should not be over seven feet high to bring the top shelf in easy reach.

6. Small unit stands are desirable for special and seasonable displays.

7. Aisle tables or merchandise islands also help sell the type of goods that is bought on an impulse. Some stores avoid the use of aisle tables since they unquestionably (a) add to congestion, (b) attract bargain hunters, and (c) increase the danger of theft and damage to merchandise.

Store layout should be considered from the customers' point of view as well as from the expenses angle. Goods must be assigned to space in accordance with customer convenience as well as sales possibility. It is easier and more profitable to move goods from one location to another than to bring a customer back to the store once he has formed an unfavorable impression.

The following are the review characteristics of good layout from the customer's point of view:<sup>8</sup>

1. Attractive place in which to shop.
2. Convenient access to merchandise throughout the store.
3. Aisle wide enough to prevent crowding during normal business day.

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<sup>8</sup>Discussion based on Visual Merchandising class of Second Semester, 1958-59, Kansas State Teachers College, Emporia, Kansas.

4. Free from obstruction preventing general view of the floor.
5. Related merchandise together.
6. Similar arrangement of merchandise in store which they concentrate purchase.
7. Day light instead of artificial light for judging color of certain merchandise.
8. Infrequent change of location of departments.

#### FLOOR PATTERNS

Floor patterns are interesting to look at and they are an important part of the layout, influencing the appearance of the store. They also have great importance in the expenses of building a store and in replacement when worn out.

The wide range of floor materials available today makes it easy to find materials that will give the best results in a specific store installation. The problem is to match the qualities of the flooring material with the needs of a specific store. The length of store lease is one of the factors determining the selection. Paying for a floor that will outlive the lease would be a poor policy. But buying flooring material simply because it carries a low first cost is not wiser, because that flooring material perhaps will need replacement before the end of the lease.

Other factors have to be considered, such as the amount of traffic, the resistance to water, grease, and

fire, the amount of maintenance it calls for, the non-slip qualities desired, and the installation time.

Whether a floor is to be above or below grade is a basic factor to be considered. Other points to look at are: light reflection, sound absorption qualities, and resistance to cracking.

Asphalt, used at most super markets, has low first cost, stands up well under reasonably heavy wear, and is available in many colors. One drawback is that it requires careful maintenance.

#### STORE DISPLAY

It is important to note, in a discussion of display, that the super market is a heavily congested area. Only several years ago, the same size market probably carried only two-thirds of the products it carries today. Just in the last decade, countless prepared frozen food items, cake flour mixes, and similar items have come upon the scene. For all these, the super market has had to find room. Thus, products are shown with as little facing on the shelves as their volume will allow in terms of need for re-stocking. Special display space is set aside only if there are very high expectations of sale and profit.

Batten, Barton, Durstine & Osborne advertising agency indicated that 55.7 per cent of women contacted frequently

looked at special displays of merchandise, 41.8 per cent did occasionally, while only 2.5 per cent did not.<sup>9</sup>

There is a variety of possibilities for highlighting an item in a super market. One is the mass display. This is a presentation of a large grouping of the featured item at any point in the store so that the size of the display itself commands the shopper's attention. When a product is taken out of its usual position and placed in volume at the end of a gondola<sup>10</sup> this is known as an end display. Another type of display is the isolated rack or special display stand which is generally provided by the manufacturer. In many markets, shopping carts are filled with jumble displays of goods. There are other special techniques including shelf extenders, small devices that support a limited amount of merchandise extending toward the customer out from the regular shelf, and relief or sore thumb displays, where a moderately large amount of merchandise will be displayed extending into the aisle from the floor up. A dump display can be set up on any base, with merchandise dumped rather than arranged in an orderly manner. To supplement these displays, signs are used where special emphasis on a featured product is desired.

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<sup>9</sup>Show and Kay, op. cit., p. 89.

<sup>10</sup>Free-standing display shelves.

Merchandising or display units should generally carry eye-stopping devices showing the uses or values of the line. In cases where size is involved, the size of each item grouping should be plainly marked on the display. Features which diminish the opportunity of customer pilferage are highly desirable.

Location of the product in the market is highly significant in terms of sales results. The following information was obtained from research conducted by Alpha Beta, a 51-unit Los Angeles chain.<sup>11</sup>

1. The gondolas should be higher than the short shelves; they must be broken up by special displays; there must be "power" items--high traffic pullers--in every aisle.

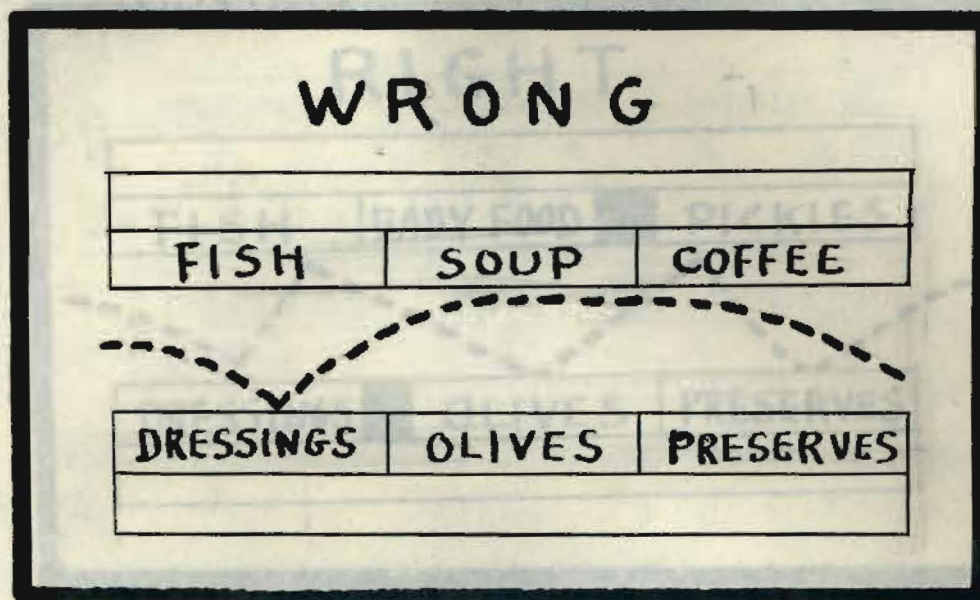
2. Long gondolas give the operator the advantage of cross-merchandising. Baby needs were successfully cross-merchandised with baby foods, coffee mugs with coffee, decanters, pitchers, and glasses with juices, paper cups and dishes with soft drinks, cereal bowls with cereals, baking non-food items with baking supplies, soaps and detergents with mops, brushes, and other cleaning aids.

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<sup>11</sup>"Study Customers to Sell More," Super Market Merchandising, Oct. 1958, pp. 46-48.

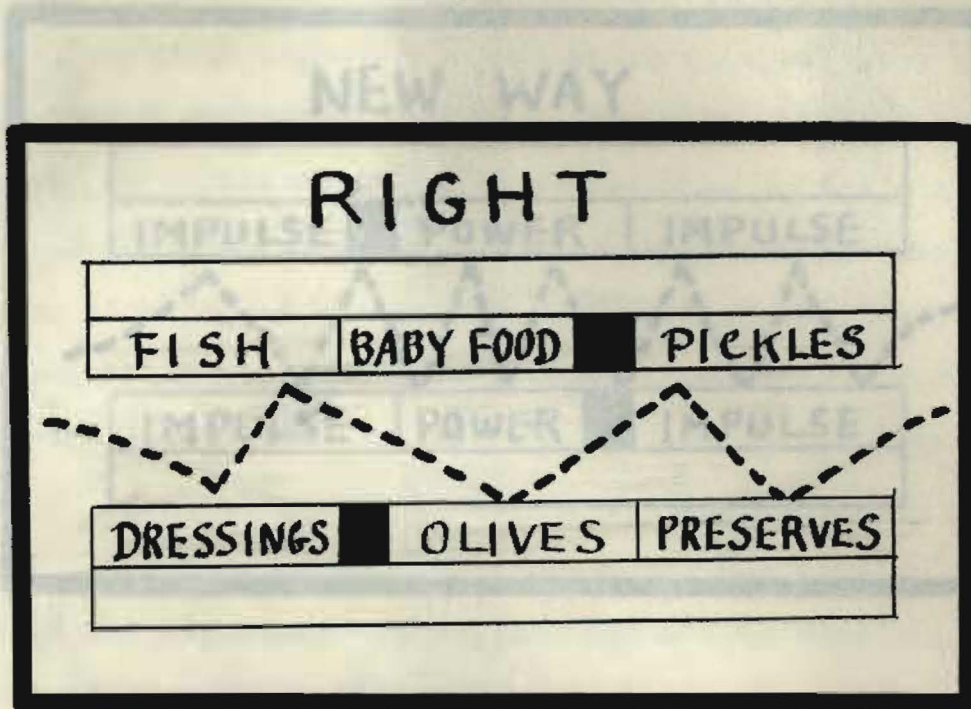


FIGURE 1  
THE METHODS OF DISPLAYING MERCHANDISE\*

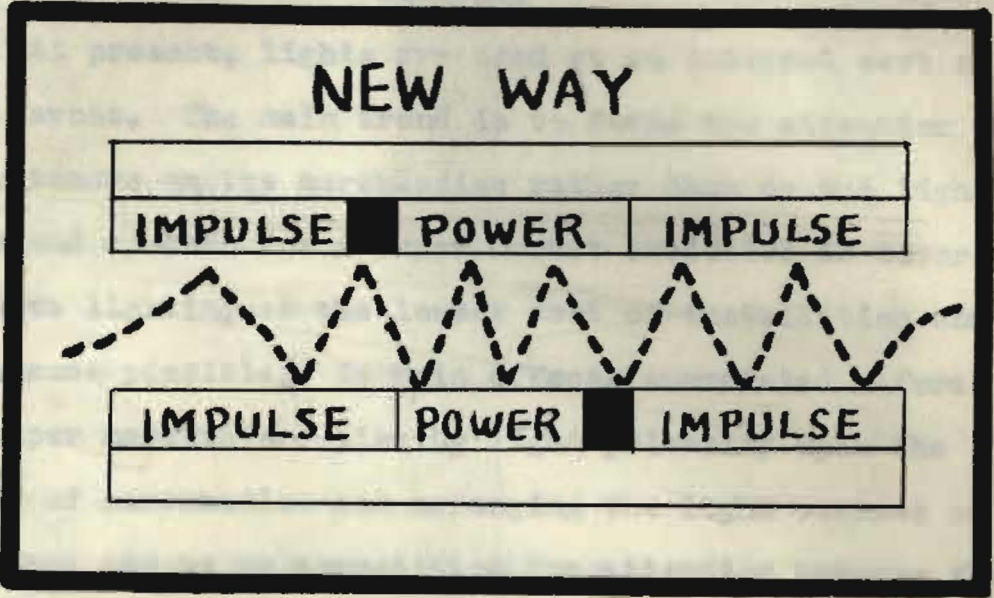


\*"Study Customers to Sell More," Super Market Merchandising, Oct. 1958, pp. 46-48.

The placement of merchandise in terms of its relationship to other items was a problem Alpha Beta had to cope with. Olives, for example, should have sold very well in the market, but didn't. Investigation showed that its placement across from soup was the biggest deterrent to its sales. Whenever the customer selected soup, she turned her back to the olives, and just continued to shop the one side of the gondola.



Alpha Beta Super Market has a lot of merchandising ideas from its experiments. It learned that as baby pickles and olives were moved opposite baby foods on the premise that baby foods customers do not buy many olives, and vice versa. The results were heartening. Olive sales went up from .26 of grocery sales to .64, better than double the sales they had shown. Now Alpha Beta knew it was on the right track.



Alpha Beta began to derive a set of merchandising principles from its experiments. It learned that on long gondolas and one-way aisles, power items must be across from power items, and impulse items across from each other. This caused the shopper to slow down and crisscross her way down the aisle. When special displays are built into the gondolas--they are noticeable in the picture by the solid black lines--they can be almost twice as effective as are the standard end-aisle displays.

"Promoting Sales with Light," *Marketing News*, September 1957, p. 14.

## LIGHTING

At present, lights are used as an integral part of a store layout. The main trend is to focus the attention of the customers on the merchandise rather than on the lighting. The second concern for a super market executive is to produce effective lighting at the lowest cost of installation and maintenance possible. To gain effects enumerated before, many super markets are placing light primarily upon the display of merchandise and arranging the light sources so that there can be no competition for attention between the goods and the lighting. They also "paint" the displays with the kind of light that will bring out true colors, textures, and other sales qualities. The following tendencies are developing:<sup>12</sup>

a. The trend toward mixing fluorescent and incandescent lighting is being used more and more in the form of spots and for accent lighting. But fluorescent tubing is still widely used for general illumination and for some specialty lighting.

b. There is also a trend toward using various types of lighting in different parts of the stores.

The tendencies in turn are being expedited first

<sup>12</sup>"Promoting Sales with Light," Chain Store Age, September, 1952, p. 16.

by the continuing development in the fluorescent field of white light in various tones, each of which is designed to do a specific job. Especially important in this regard is the use of new lamps coated inside with phosphor which produces light for meats, other foods, and fabrics to bring out their true colors.

Another factor to be noted is the continued development and improvement of lowering and diffusion devices to:

- a. Hide the source of light but permit the highest possible amount of efficiency as far as intensity is concerned.
- b. Supplement and aid in producing the exact quality of light required for most effective lighting of a given line of items.

Lighting in the ceiling seems to be the present trend. The Super Market Merchandising Magazine reports an experiment made recently in Poughkeepsie, New York:

When Food Center recently took over a building in Poughkeepsie which had previously housed a soft drink bottling plant, it had a tough architectural problem to solve. The top of the ceiling, which was covered with ugly beams and lights, was too high for the size of the market.<sup>13</sup>

The problem was nevertheless satisfactorily solved in the following way:

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<sup>13</sup>"Using Ceiling Lights to Avert Glare," Super Market Merchandising, Vol. 18, No. 12, December, 1953, p. 84.

Rows of fluorescent lamps were mounted on the ceiling. Below them, supported by a framework of lightweight tracks, were placed sheets of thin corrugated lumi-plastic which is a translucent diffuser that permits light to pass through but prevents those below from seeing either the lamps or anything else above them....<sup>14</sup>

#### ADVERTISING

Advertising does not always mean a full page in the local newspaper. Probably the most important advertising of every store is the store itself, its physical appearance, and this is confirmed by the reasons given by the customers for buying in the super markets. They mentioned very often the reasons: "I like it; I like the general appearance; the general atmosphere of the store."<sup>15</sup>

Some important points in point of sale advertising are: Is the store clean and well lighted inside? Is the store layout convenient? Are the fixtures neat and practical? Are the clerks neat, clean, and friendly? But the two very important points are whether the store is attractive from the outside and whether the goods are well-displayed.

The first point deals mainly with the question of exterior signs and lighting, and the second one is very much concerned with pushing the special displays.

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<sup>14</sup>Ibid., p. 84

<sup>15</sup>"Outline of Lighting Trends," Chain Store Age, June, 1950, p. 210.

The second important item in point of sale advertising is that special displays selling merchandise give the store a fresh, interesting atmosphere. The displays are usually built to increase sales of profitable items, volume on staples, to dress up the store, to create an atmosphere, to increase sales of seasonal items, or to increase slow moving sales and go along with a national advertising campaign made by a manufacturer.

Timing displays for maximum impact on the customers is a basic consideration in building special displays. Seasonal and local buying habits as well as holidays influence the date of the display. For such reasons a special canned fruit display was built at Reebble's store in Emporia and a canned coffee display was built "high" at the A & P store.

The length of time of display is another important time factor. They should be up during the period of national and local advertising drives in order to gain the extra punch that advertising can give.

Most of the seasonal displays are made in Spring or Fall to give the store a fresh appearance. They usually last longer than special or holiday displays. As for holiday displays, Christmas and Easter are the two big display holidays, but there are others such as Halloween and Thanksgiving.

Pre-holiday display timing is concerned with at least three factors:<sup>16</sup> winning maximum attention, gaining a cumulative build-up of sales, minimizing the chance of spoilage or the impression that stock is stale. Major holidays require that a display be built long in advance so that the store can build up a holiday buying mood and give customers time to look over all the products suitable for holiday purchase.

Two questions then arise. When should displays be taken down and where should special displays be put in the store? As a rule, special displays of advertised items are set up where early shoppers, late shoppers, and heavy customer traffic pass for one week unless the items are part of seasonal, holiday, or chain promotion events.<sup>17</sup>

For the super market advertising programs, 97 per cent use newspapers; 53 per cent radio, 38 per cent handbills and circulars; 18 per cent television. These figures indicate that newspapers form the backbone of super market advertising, but the greater use in recent years of both radio and television by the retail food industry offers

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<sup>16</sup>"Animated Santa Display Brought Profits," Super Market Merchandising, Vol. 18, No. 10, October, 1952, pp. 179-180.

<sup>17</sup>Ibid., pp. 179-180.



possibilities for more effective selling of non-foods, particularly of items benefiting from television demonstration.<sup>18</sup>

CONCLUSIONS

There is a need for more facilities in a community center of many other features. A good location for such facilities is making possible the most profitable value return. It consists of a site that is convenient to the store's customers and for video displays and other operating units are available.

The present Super market stores which are located between shopping center and housing areas are required to recommend that location in view of customer's convenience. (1) customer access which includes parking, (2) video screen on highway angles. To other words, the store should be centrally enough located to attract a large number of shoppers. By locating in the middle of housing areas, Super markets would save valuable time daily because of easy access to the store.

There are several factors to be recommended in the Super market layout. (1) shelves must extend the aisle should be as low as possible, that is, in order that customers

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<sup>18</sup> Julian H. Handler, Fundamentals of Selling the Super Markets, Fairchild Publications, Inc., First Edition, 1956, p. 25.

## CHAPTER VIII

### TECHNIQUES OF OPERATIONAL METHODS FOR THE KOREAN SITUATION

Poor or bad store location is a contributing cause of many store failures. A good location is one that assists in making possible the most profitable sales volume. It consists of a site that is convenient to the store's customers and for which rentals and other operating costs are reasonable.

The present Korean public markets which are located between shopping center and housing area are required to reconsider that location in view of customers' convenience: (1) customer access within walking distance, (2) ready access on habitual routes. In other words, the store should be centrally enough located to attract a large number of shoppers. By locating in the middle of housing areas, Korean housewives would save valuable time daily because of easy access to the store.

There are several factors to be recommended on the Korean market layout: (1) shelves ranged around the walls should be as low as seven feet high in order that customers can reach merchandise without the aid of a sales person; (2) aisles should be as wide as necessary so that at least three persons can pass freely; (3) free from obstruction

preventing general view of the floor; (4) an electric exhaust fan should be placed at the fresh sea food department to remove the odor which would otherwise prevail in the whole store. The following super market floor plan was designed, based on the American super market, for the Korean market. (Figure II).

#### FLOORS

Asphalt floor is recommended instead of presently used concrete floors. It costs less, is sound absorptive, and is easier to stand and walk upon.

#### DISPLAY

The following are factors regarding store display which Korean businessmen ought to know:

(1) Display should make it easy for the customer to find the merchandise that she is seeking.

(2) Related merchandise should be arranged together.

(3) Convenient access to merchandise throughout the store.

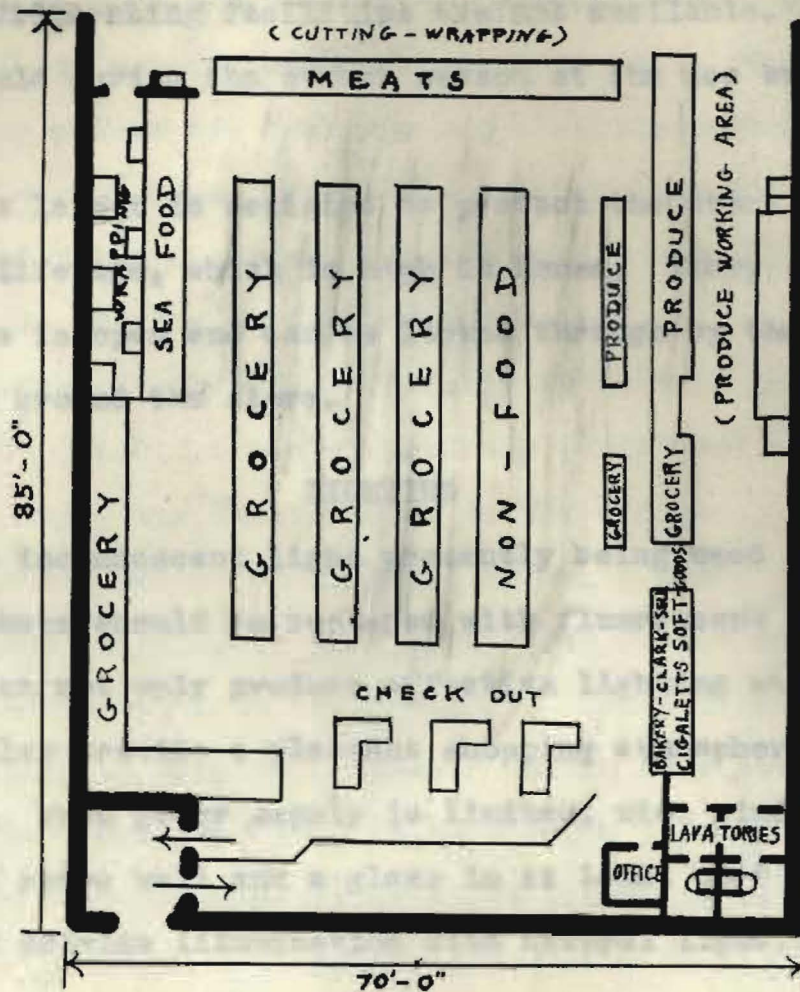
(4) Display must make the store bright and attractive.

(5) Island tables and isolated racks or special sales are to be placed in aisles for sales promotion.

(6) Show card should be written in big letters, easy to read and also colorful to attract customer's attention.

FIGURE 2

## FLOOR PLAN FOR THE KOREAN SUPER MARKET



This layout is specially designed for the Korean super markets. Several departments which are important in American stores are removed and others added in order to meet the needs of Korean shoppers. The fresh fish department is added for the lower middle and low income groups who use this item to a large extent in order to obtain needed protein. The frozen

food, dairy,<sup>1</sup> and ice cream departments are eliminated because refrigerating facilities are not available. Ice cream is sold during the summer season at the ice cream store.

This layout is designed to protect the store from customer pilferage, which is high in Korea. Every side of the shelves is open and can be looked through by the service men in and around the store.

#### LIGHTING

The incandescent light presently being used in most Korean markets should be replaced with fluorescent tube lights which not only produce effective lighting at lower cost but also provide a pleasant shopping atmosphere for customers. When power supply is limited, wide windows around the store wall and a glass in at least part of the store roof provide illumination with natural light.

#### ADVERTISING

The newspaper advertising medium used by most American super markets is regarded as an effective method for Koreans also; however, as long as the number of pages of the newspaper is limited, special sales items and introductory items are best made through the paper medium.

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<sup>1</sup>Cheese, milk, butter, eggs.

Another medium for store name advertising which is useful for the Korean market is the use of posters placed on the walls in housing areas or electric poles standing at bus stops or street car stations and also inside of the busses and street cars. Handbills or circulars for groceries and non-food items are most effective as is a loudspeaker on an automobile driving in the housing areas.

Non-food items which are newly introduced or used for special sale promotion are effectively advertised when shown on slides during the intermission in the cinema.

As for advertisement in the store, a system used by American super markets is to display tear sheets or blow-ups of the advertisements in their stores. Front windows are the favorite place to display newspaper ads in many stores, although some prefer to keep their windows free of all signs. Some stores have designed lightweight frames to hold tear sheets; these frames are sometimes attached to fixtures or suspended from the ceiling. Bulletin boards, which are found near the service booths or on front corridor walls in many super markets are also an appropriate place for displaying ads.

Many stores like to place copies of their ads on their special displays to point up featured items, and some use arrows or ribbons leading from the tear sheet to

specific items. Some stores like to display items in the meat, produce, and non-food departments as well as in the grocery section.

#### CONCLUSION

In this study observations in the American supermarket have been presented for background information on the Korean market distribution of goods, as well as for specific data on the Korean market and its role in economic development of this area.

The materials and data suggested by marketing researchers are also relevant to other market information and may be used by those who are through the facilities of Illinois in the economic part of the United States where the study was undertaken.

A brief history of the super market movement was presented. Economic factors and social and cultural changes which affect the distribution of goods were also noted.

Distinction between the store in the field and modern department store was pointed out. Certain changes in the structure of supply in the super market were explained.

Factors influencing the super market layout, floor pattern, display, lighting, and advertising were also discussed.

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CHAPTER IX

SUMMARY, CONCLUSIONS, AND RECOMMENDATIONS

SUMMARY

In this study developments in the American super market have been presented for background information for the Korean student of distribution of goods, as well as for specific help to the Korean businessman who may wish to operate a market of this kind.

The materials used were suggested by American businessmen who are engaged in super market enterprises and were provided by these men and through the facilities of libraries in the midwestern part of the United States where the study was undertaken.

A brief history of the super market movement was presented. Economic factors and social and cultural changes which affect the distribution of goods were also shown.

Distinctive problems of items in the food and non-food departments were pointed out. Certain changes in the channels of supply to the super markets were explained.

Factors pertaining to store location, layout, floor pattern, display, lighting, and advertising were also developed.



Finally, certain differences between American and Korean customs and needs were shown and suggestions were made to aid the individual who might desire to open a super market in Korea.

#### CONCLUSIONS

The distribution channels are not sticking to their established lines of merchandise. Drug stores are attempting to sell food; variety stores are becoming department stores. Food stores are selling non-foods. All these changes indicate a silent revolution in retailing. Retail outlets react rather quickly to changing shopping habits of the people.

The shift of population to suburban areas and its attendant increased use of the automobile has caused the sudden rise of the shopping center phenomena which tends to encourage one-stop shopping.

The increasing discretionary spending power and the accent on family life influence the pattern of consumer expenditure. The self service technique is spreading to all retail store operations and tends to standardize store operations. In view of very many such possible changes, no single business can claim propriety over its mode of operation. Each type of business freely draws on the experiences of others to make its existence secure, and

therefore, in a competitive economy, adjustment to changing conditions seems inevitable.

It is felt that the super market industry is also experiencing changing conditions. The economic factors discussed above indicate a favorable climate for super markets to deal extensively in non-food merchandise. In particular, the merger trend in the industry would facilitate any move toward expansion of these lines. The growth of prepackaging of food and non-food merchandise, the impulse buying trend of shoppers, and the high consumer traffic in super markets are additional factors which stimulate non-food and food merchandising in super markets.

These facilitating factors indicate the sales potential of non-foods in super markets. But an unlimited tapping of this potential does not seem feasible and consistent with super market operation because not all non-food items (a) are fast sellers, (b) fall in low price range, and (c) can be shelved together for purposes of display.

Super market operations give careful consideration to allocation of store selling area (see page 69) in view of the increasing number of lines carried. Therefore, in expanding non-food lines, they have to consider the factors of space, dollar profit per square foot and investment of non-food lines relative to other merchandise in the store and select only such items whose dollar profit per square

foot compares well with that of lines already included in their operations. It therefore follows that the super market operators tend to encourage non-food departments insofar as they do not endanger the efficiency of super market operation. Growth of year round non-food departments, therefore, tends to be highly selective.

#### RECOMMENDATIONS

Though the size of year-round non-food departments is thus subject to limitations, super markets tend to utilize every opportunity possible to do as high a volume of business as possible in non-food merchandise, without expanding the floor space of the departments, in view of the high dollar profit volume on non-food sales. These recommendations are intended primarily for the American super market but in time can apply to Korea also. This might be aided by the following devices:

1. Non-food Corporations. Cooperative effort on the part of small chains and big independents might be used to facilitate the growth of non-food sales volume in super markets. Super markets not in direct competition with each other can set up non-profit non-food corporations, each market contributing an equal amount of store display space and capital. Each store operator becomes a member of the board of directors of the non-food corporation. The functions of the corporation will be:

(1) to purchase non-foods directly from merchandising manufacturers;

(2) to warehouse them;

(3) to sell such merchandise to member stores;

(4) to rotate slow movers among the member stores.

The corporation maintains its own merchandising both for year round non-food departments and in-and-out promotions. To meet its operating expenses, it collects a certain percentage, say 2 or 3, on all non-food merchandise arranged by it. Any net profit or loss on its operation will be divided among its members.

2. Overhead displays. With more and more manufacturers getting anxious to sell their merchandise through super markets while operators hesitate to invest heavily in new merchandise, pressure for leasing more display area in the super markets might increase, particularly from the newly springing agencies such as manufacturers' rack service agencies.

Every inch of floor area in super markets being profitably employed and rationally calculated, the possibilities of using the empty space over the display rows in super markets might be explored through specially constructed steel overhead display structures with arrangements for automatic handling of the merchandise displayed. Such arrangement will be particularly suitable for displaying items that occupy large space and do not move fast.

Since the store operators cannot assume merchandising responsibility of such items, they can encourage rack merchandising agencies to use the overhead display space, which cannot be utilized for any other regular store merchandise.

In erecting these overhead displays, the store incurs nothing except the initial investment which can be recouped from the additional sales volume. On the other hand, the store gains through providing diversified lines of merchandise. Overhead displays must be as attractive as the floor displays to shoppers who have relatively less choice of specialized retail outlets in outlying areas.

The above discussion leads to the conclusion that the year-round non-food departments may be encouraged to grow moderately with new lines added on a highly selective basis, but the over-all sales volume might expand considerably through new techniques of operation cited in the chapters. Food, however, remains the dominant merchandise in super markets.

Finally, early development of the super market in Korea will surely be confronted with many restrictions and difficulties; however, these can be overcome through improving operational techniques step by step, and educating the customers as the early American super market did. The important factors in this successful realization must not only result in better merchandising and new techniques of



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