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Big Bear Super Market

"THE SUPERMARKET AND ITS CONTRIBUTION TO MODERN MARKETING"

Presentation by  
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OFFICE OF FRANKLIN COUNTY  
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In my remarks this evening, I would like to cover briefly several phases and points concerning the supermarket, which I think may be of interest to you.

Some of these points are: a short history of the supermarket; a contrast of the old supers to the present; the effect supermarkets have had on food distribution, advertising and packaging; discount houses; and the future of the supermarkets.

I will be giving a short history of Big Bear, inasmuch as I will be making some comments and references to Big Bear throughout the talk, as many of our problems and progress have very closely paralleled the growth of the industry.

Big Bear had the distinction of being the first large supermarket in Columbus and the midwest when we opened our Lane Avenue market in 1934. The supermarket idea of self-service selling at just a few cents above cost, mass merchandising, and everything under one roof, had only been tried by King Cullen in the East and a few other large outlets in a small number of places in the country.

A 70,000 square foot building that had failed as a dance hall and roller skating rink, located adjacent to Ohio State University, was destined to become our first store.

When our competitors heard of the venture about to start on Lane Avenue, their first threat was to keep us from being able to buy any merchandise from the local distributors and jobbers. Now, a supermarket without anything to sell just can't succeed. Competition told the jobbers if they sold to Big Bear they didn't need to come back to them. Most competitors and others gave us about 60 days to last. We finally crossed this hurdle of getting merchandise when we stumbled onto the Lima Kenton Grocery Company in Kenton, Ohio, who was willing to supply us with groceries. Our first order to him was more than he had been selling to all of his other accounts totaled together. We were able to get delivery of bread and milk from some local companies, but were boycotted by many local and national companies for five years after our first store opened because of our new method of self-service merchandising and extremely low prices.

During opening of the Lane Avenue store in 1934, people came by the tens of thousands -- the curious, the poor, the wealthy, pouring through our store. Our volume was terrific, but it was over three years before the company showed any profit. It wasn't known then, but now it can be told, that our first attempt was to teeter precariously close to bankruptcy for three years after a very shaky start which almost ruined us. We started with enough money in 1933 to operate, but through management and operations we lost practically all of our operating funds and inventory in our first year of business. To defray our terrific advertising and promotional expense, we realized we had to get more outlets and sales volume; so it was necessary to work on our nerve and our creditors' money to survive. It was almost three years before I could really tell we were going to make a go of it.

We opened our second store in 1935 at 2030 East Main Street. This store occupied an old piano factory and much of the shelving used in this store was made of piano crates left in the factory. We used all second-hand meat cases and other equipment which was a far cry from the modern adjustable shelving, meat, produce and dairy refrigeration equipment of today. We were, of course, pressed for finances on our second, third and fourth stores, and this was the reason for the second-hand equipment.

In our first store we advertised the lowest prices in town; a free bus made a run to High Street from the Lane Avenue store and back every 20 minutes; Registered Pharmacists were on hand in drug departments; leased departments in the Lane Avenue store included a flower shop, two bakeries, a restaurant, appliance department and a shoe repair shop; and plenty of parking space for cars.

The decor in these stores was a very drab black and white. When the third store opened in 1936 we were really getting brave. The store at 26 West Spruce was "gaily" decorated in black and silver, and contained all used equipment -- second-hand tables and cash registers. During our second anniversary sale that year, we sold over 35 carloads of merchandise in three stores.

In 1937 a group of supermarket operators grouped together at a convention in New York at the request of a man by the name of M. M. Zimmerman. This handful of people started what was to become the Super Market Institute, which in 25 years, along with other associations, has helped to reshape the destiny of food distribution not only in this country, but in the world. This group of people set out to show that supermarket operators were organized merchants, not just promoters.

In those days it was arrogant to speak glowingly about supermarkets. These stores were the "raggle-taggle" gypsies taking up abode in old piano factory buildings and warehouses, somewhat as many of the discounters of today did when they started. Their tactics did not endear them to conventional retailers although the public loved them. In short, supermarkets were subject to abuse, ridicule, hatred, boycott -- whatever its opponents could do to stop it dead in its tracks. The old-time grocery publications referred to supers as "fly-by-night" ventures. I was among the 127 operators who attended that first meeting, feeling very much an old hand having over three years' experience under my belt in supermarket operation.

We saw the birth of the shopping cart at that meeting. Prior to that time we used wooden and wire baskets. We saw the beginning of the co-operation that exists today between manufacturers and distributors; and the beginning of an organization which today has over 20 billion dollars represented in the Institute with 16,000 stores and 800 member companies.

In 1939 Big Bear consisted of four stores, and by 1941 six stores were in operation when we prepared to celebrate our seventh anniversary. At that time the Columbus Dispatch wrote, and I quote:

"Big Bear -- the original super food markets of Ohio -- inaugurated a type of self-service merchandising which has saved consumers thousands of dollars each year, and has become so popular that since their inception the Big Bear system has become the modern method of distribution."

Big Bear, like many others, had a normal growth up to the war years, when expansion programs were retarded considerably. But, immediately following the war in 1945, the growth pattern of supermarkets took on more zeal than it had ever known.

Company after company issued debentures and stock to the public to finance their ambitious expansion programs. Their expansion programs included warehouses and office facilities as well as new stores. Companies were announcing how their new stores were to be of the utmost, with new designs, fluorescent lighting, tile floors, sound-proof ceilings and complete departments.

When we replaced an older unit on West Broad Street with a new store, the Dispatch marveled at another new improvement in supermarketing -- motorized counters which were controlled by the cashier, another first for Big Bear in this area.

You have probably been able to gather thus far some of the changes which had taken place in these few short years. One of the new innovations of this type of merchandising was being open evenings to convenience those who did not have a car and the many one-car families of the 30's and 40's. This was met with much opposition from all sides. Supermarkets introduced many other "firsts" in the retailing industry to their customers during these years: one-stop shopping; new merchandising gimmicks; many new warehousing innovations; motorized checkstands; complete non-food departments; guarantee of purchase or your money cheerfully refunded; lounges for customers; air curtain door; and many others. Five years ago we were selected as the first food chain in the nation to use the new IBM

305 Ramac accounting machine. Also, we were the first to introduce in our Graceland Shopping Center store the Raymond Loewy concept of store layout, with perishable departments in the center of the store with low fixtures, and also a pleasing decor in the stores which presented up to 22 different colors in pastel shades. As a result of being first with these two innovations, hundreds of operators from all over the country have visited our company to see these operations.

It is interesting to note also some of the working conditions and wage rate changes that took place over these years. I can still visualize the long human chain of young men throwing merchandise from one to the other from the basement warehouse room of the Lane Avenue market up the stairs to the sales area. Today, conveyors, automatic power jacks and mechanical fork lifts have completely eliminated this job. The food industry was one of the first to use this type of equipment which is common in practically all warehouses and factories in all businesses today. The old hours were really terrific. We started off with a regular scheduled 65 hour week in our first store -- with an acceptable scale of \$13.00 to \$15.00 per week. At this first SMI convention which I made reference to earlier, one man made a talk concerning their employee program for that time, in 1937, which went something like this:

"For store clerks we maintain a minimum wage of \$20.00 per week for 52 hours; and for sales girls we maintain a minimum of \$16.00 for a 45-hour 5-day week."

To many of us at that time, his statements were almost unbelievable.

How could you get the job done with hours like that? A five-day week?

Could that be a picture of what was to come? We are proud of our conditions today which include a 40-hour 5-day week for male and female employees, paid vacations and holidays, health and accident insurance plus life insurance, paid breaks, weekly salaries for clerks of approximately six times those we paid when we started, pleasant working conditions, hospitalization and surgical benefits, on-the-job training as well as formal training programs; and in our own company, in addition, we have a profit sharing and pension plan program for eligible employees, in which we distribute 10% of our profits before taxes to those employees who qualify. Above the clerks, there are hundreds of employees who work longer hours, accept more responsibility, receive greater compensation, and experience further pride of accomplishment.

The whole idea behind the supermarket was self-service. Self-service implied, even in the earliest markets, a basically passive selling approach. The shopper reigns supreme to decide, based on sight, sound, smell, taste and touch, to buy this product or not to buy that one. Personal salesmanship rarely comes into play. The effectiveness of this technique cannot be disputed. The growth of the supermarket industry is in itself dramatic documentation of the efficiencies of self-service selling. At first, department stores led the way with departmentalization; and variety stores, with accessible displays. Eventually, however, the supermarket operator passed both of them in the parade of progress. We welded their innovations with our own into a unique self-service package. From the start during the depression, supermarkets experienced a phenomenal growth. This growth was accomplished by early pioneers, such as Big Bear, who is among the major chains today -- we rank 30th in sales volume among 1500 chain companies. The growth was also accomplished by older chains which gradually adopted this new concept and converted to self-service supermarket operations.

Only after World War II, did the major chains of that time begin to emphasize the concept of self-service and supermarket ideas.

The convenience and economy offered by the self-service, one-stop shopping features of the supermarket have been powerful factors in enabling the grocery stores to broaden their lines and obtain a greater share of available business in non-food items. While it is true that variety and drug stores have adopted the self-service principle in recent years, the supermarkets offer food and one-stop, one-checkout shopping to the busy housewife. Checkouts are considered a major bottleneck in self-service shopping, and the housewife understandably is reluctant to go through two checkouts in the same shopping center if she can obtain her purchases by going through only one.

One of the keys to success in the retail food industry has been the ability to obsolete existing ways of doing business. The vehicle by which this obsolescence has been effected in the post war period has been the supermarket. Most supermarkets have always attempted to provide to the people a variety of merchandise which they demand. For example, we have up to 9,000 different items alone in foods, plus 3,000 items in non-foods. This variety of merchandise is tailored to meet the needs of the particular community the store is serving. In referring to our own company, we have definite policies set concerning training which insures our customers of getting the best possible service at those areas where service is required, such as cashiering, meat service window, carryout, produce scale and tobacco counter. We have training programs for our personnel not only in training to do a technical job, but they are also trained in all the facets

of courtesy, and ways to greet the customers and make them feel we are happy to have them visit our stores. Many of these services today are peculiar only to Big Bear, but we feel we're in a period of "sameness". All grocery stores have stamps, all have nationally advertised brands and private-label merchandise, most all have modern structures, all have the same equipment, but Big Bear is the only one which still offers as much necessary service as they have in the past. Our organization -- the people in our stores -- makes the difference.

The idea of self-service also had quite an impact on the manufacturer. I would like to read to you what was printed in one of our leading trade journals last month concerning the feelings of the manufacturers back in 1937. Quote:

"Several manufacturers had been persuaded to attend the first SMI meeting and participate in a trade show.

Here was hope that the manufacturers would break ranks and really line up on the side of the "outcast industry" -- supermarkets -- which showed signs

of becoming a staunch fighter for national brands against chain labels. All in all, there were 32

manufacturers willing to cross the line into

"enemy territory". End Quote.

The manufacturers had been badgered for years not to sell the supermarkets. They had a terrific job before them. Each of their products had to become a silent salesman. Over the years we can see how they have developed their products, not only the quality of the contents of a package, but more remarkably, the exterior.

Many times it is the picture of the finished product on the side of the box which sells Mrs. Consumer. The next time you are in a store, look at the cake mix or breakfast cereal section and you'll see what I mean. Manufacturers have introduced colors into their packages which are very eye-catching and at the same time have added to the appearance of the store. With improvements that have been made in lighting and interior decorations in our stores today, row upon row of beautifully packaged merchandise has helped to make our stores even more beautiful and appealing to our customers. Manufacturers have spent millions improving the quality of their products as well, not only with the supermarket operator in mind but the consumer as well. For many years, the industry has been working very closely with representatives of the Grocery Manufacturers of America toward solving mutual problems. Some results of these meetings included the adoption of a written code of ethics entitled, "Grocery Trade Practice Recommendations", and recommendation for a standard invoice form to reduce accounting problems. Manufacturers and food distributors have also come up with a large variety of point-of-sale material designed to fit the retailer's needs, more effective advertising and promotional materials, training programs and support for educational programs in food distribution. They continually conduct polls to see what Mrs. Consumer's present desires may be. A good example is the result of a consumer panel which appeared at the Fifth Annual Conference on Food Distribution. The panel explained, if meats are prepackaged, the consumer would like to have the cardboard tray eliminated so she can see both sides. These same feelings were expressed about packaged produce. We have ordered this "see-through" tray and plan on testing it in some of our markets. So you can see, there is much cooperation between manufacturer, marketing companies, distributors, and on-the-line retailers to

continually give the consumer what she wants. I might add, this past month at the 25th Annual SMI Convention held in Chicago, there were 5,000 people attending representing 700 manufacturers, the convention having a total attendance of approximately 13,000 people.

Advertising and promotions have been a very important factor in the growth of Big Bear and the industry from the very beginning. At our first store on Lane Avenue on the opening day, we had live bears on hand and have done this through the years at all of our store openings where regulations permitted. Through the years we have had hundreds of promotions. I can remember one register tape promotion causing such a stir that people were running classified ads in the Dispatch such as this one:

"Does anyone have Big Bear receipts they are not saving? I would like to trade hankies for them."

Advertising plays a big role in a customer's shopping habits. Complete menus are planned from ads. In recent years, advertising programs have been beneficial in establishing a company's image in the community in which they operate. A very important factor which determines the success or failure of an advertising program is the follow-thru which you have at the point-of-sale. We have always made sure that if an item is advertised, that item can be purchased and if it isn't available because of a late arrival in the warehouse or inadequate ordering by the store, whenever possible, another item of like value or better is substituted. Recently we featured hams in our ad at a low price and we could have sold approximately twice as many as we had ordered for the sale. Because of running out,

we featured the same ad for hams the following week at the same price even though the market had gone up. In other words, our advertising program has been an honest portrayal of what our operating philosophies are. We also advertise 100% satisfaction or your money cheerfully refunded, carryout service, convenient locations, low prices, and many other policies which give an honest representation of our operations. I think many other companies are realizing that if they are to build the proper image, their advertising program must give an honest picture of their operations. Many companies today are relying heavily on institutional advertising which is another facet of modern marketing.

One of the most talked about new phenomenons to hit the food industry in recent years is the discount house. It has been alternately praised, condemned, viewed with alarm, seen as the ultimate in retailing, a challenge, a threat and an opportunity -- but it certainly has not been ignored by supermarket or department store operators.

Today there are about 480 discount houses which offer food to customers. Recognizing the powerful magnet of food, many discounters tend to emphasize price in their supermarket operation in an attempt to draw traffic to the remainder of the store. Statements such as this are common from discounters: "We use food and drugs as traffic magnets. We have located these departments in the rear of our store -- this draws traffic through the entire store". And this: "We have no need to make money on food sales, since our profits are made on sales of non-food items and the below-cost selling prices for food are used to bring the customers into our discount store." This is some discounters philosophy on food sales.

I don't think the discounter is taking into consideration the terrific tonnage involved in the handling of groceries and perishables. Discount operations are not geared to handle this large volume of food since they are not in the food business. We're in the food business and have been all along. We helped to pioneer the supermarket and tied in drugs and some non-foods with our food operation from the beginning. We have continually experimented with different types of general merchandise and departments over the years, until we are now more entrenched in general merchandise than most companies across the country. As an example, we have 400 people involved in buying, selling and warehousing of non-foods or general merchandise.

Some food chains are now experimenting in discount operations through their own organizations and others by mergers. There has been no clear pattern established up to this time of what the future may bring in this type or size store. There will undoubtedly be many discount operations that will not go into foods because of the mass distribution of food, while others will handle foods. As the large chain department stores and others, such as Woolco, open new discount type stores, the competition within the general merchandise industry itself will become so competitive it is going to become increasingly difficult for the discounters to subsidize losses in their food departments. As you may know, Woolco (which is the discount operation of the Woolworth Company) opened a beautiful new discount store in the Great Southern Shopping Center here in Columbus today. This is their first unit open and their merchandise has been upgraded considerably from many of the discount operations.

The discounters' impact on food distribution to date has been very small in terms of actual sales and share of total sales. Most estimates put discount-supermarket sales at seven hundred million to one billion in 1961, less than 2% of the total U. S. grocery sales. Their share of food sales is guessed to go anywhere from 3% to 10% in the future.

Discount supermarkets, however, have affected and will continue to affect food retailing in a vital area -- retail prices. To date these merchants have spurned trading stamps, give-aways, and any other "extras". Supermarkets which have come in direct competition with discounters who have supermarkets in their stores, on the whole do not appear to have suffered much in sales losses -- but did not realize the normal gains reported generally by other supermarkets.

At this time, it is hard to predict any future type of discount operations. No doubt, there will be many different types and sizes of stores as there are different types and sizes of supermarkets. Eventually, many of the strictly real estate promoters who are not operators themselves, will be eliminated from the scene. We are watching the discounters very carefully, and have surveyed their potential from all angles. I would like to emphasize the high degree the supermarket has developed in its method of merchandising and that considerable time is needed to effect any big change in the vastness of the food retailing industry -- approximately 55 billion dollars in 1961. The "typical supermarket" cannot possibly operate profitably under a bona fide discount price structure where food is sold at a loss and subsidized by other departments. But "typical supermarkets" are meeting discount competition by emphasizing such elements as quality of meat, produce,

and other perishable products, fast checkout, cleanliness, courteous service, and a variety in product lines, brands and sizes.

The opportunities for the aggressive retailers in the food industry are still very good, but not guaranteed. People are going to be earning more than ever; the standard of living will rise; there will be a change in age distribution, for example, there are figures quoting a 43% increase in the family formation group (20 to 29), plus a 30% increase in the number of adolescents (10 to 19). Right now, we're thinking years in advance concerning locations, new lines of merchandise, new and improved methods and better designed stores of the future.

Well, we have covered a lot of territory, but I think that food retailing, the nation's biggest business, covers a vast territory and is an important aspect of today's economy. Some of that vastness is as follows: I quoted sales of all grocery sales being 55 billion, supers contributed 38 billion of that figure or 70%; there are 260,000 food stores in the U. S., employing some 1,650,000 people. If the shopping carts were put on display, they would encircle all of New England except Maine -- no doubt we'll get them in a couple of years. Food is the nation's biggest bargain, in that the average family spends about \$1,125.00 a year in food. The food store brings all these essentials to the American family, and for this service takes a profit of only \$15.00 per family per year.

There can be no doubt that the supermarket has become a predominant factor in food distribution. In the space of one generation, the supermarket has made a truly outstanding contribution to the American people.

To the consumer, the supermarket has meant better values -- wide variety and complete stocks of favorite brands -- merchandise displayed under appetizing conditions of cleanliness and freshness, in pleasant surroundings -- a conservation of time and energy through one-stop shopping -- all this at a lower cost of distribution.

Supermarket employees have benefited through increased wage rates, working conditions and personnel programs that would have been impossible in the period prior to this revolution in food distribution. The supermarket operator is becoming the exception who does not have such programs as group life and health insurance, retirement plan, profit participation, etc. -- programs unheard of in the old pre-supermarket days.

Growers, processors and manufacturers of food products have available the greatest promotional force for the mass distribution of merchandise ever known through the channels of the supermarket.

Cooperation from the farmer through all processing of food manufacturing has played their part of bringing to the consumer a low cost self-service method which they have accepted with much enthusiasm.

The supermarket method of distribution is being copied by many other lines of retailing in this country, as well as taking hold in food stores all over the world.

There will be many challenges, such as discount operations, over-expansion of stores in certain areas, and everyone getting into the other's business; but we have met many challenges in the past and have been able to surmount all of them.

Another of the important contributions that the food industry is making to world welfare and world peace is the free and eager dissemination of food processing, distribution and retailing knowledge to nations all over the globe. Unknown to the American public, these efforts are helping those abroad to make more food available to more people at greater convenience and at lower prices -- and thus to help them to help themselves to higher standards of living. Even the Communist countries recognize the superiority of the supermarket as a method of providing food to the consumer at the lowest possible cost.

Each week literally hundreds of food men from overseas visit the U. S. to observe our methods, to ask questions and to obtain facts and ideas for application back home. Big Bear has had six of these food men actually working and learning in our organization over the past two years. Between the period of 1957 to the present, more than 1,000 food distribution men from abroad have visited Big Bear stores regularly as guests of National Cash Register Company. These groups have been much intrigued by our first store on Lane Avenue, combined food and non-food operations at Graceland Shopping Center, Great Souther, West Broad Street and other stores. Incidentally, one chap from Australia was so enthused with our operation at Lane Avenue and our Bear on the sign, that he went home and started his own Big Bear food and non-food operation in a large, old vacated transportation garage.

European food men consider the U. S. distribution and retailing pattern an ideal blueprint for their own development, and at the same time this high degree of cooperation between food men here and abroad stands as a fine example of practical international friendship.

In this short space of time, I hope you have been able to visualize just a few of the areas in which the supermarket has contributed to modern marketing -- areas which, incidentally, helped make food retailing the nation's biggest business.

I would like to say that the success Big Bear has had thru the years and any measure of accomplishment I may have attained can be attributed to the hard efforts and devotion of the fine people in our organization. The strength of our organization is in direct ratio to the quality of management we have had all up and down the line. Again, may I say -- people make the difference.

In closing, let me say that the only sure thing in the food industry is "change". I feel the same way about the industry as I do about our own company -- the word "impossible" just doesn't belong in the food distribution vocabulary,