

# What Has The Housewife Wrought?

(Ed. Note: "What Has the Housewife Wrought?" is a Food Marketing Research article showing a bit of the problems the farmers have when dealing with the city side of food marketing. This is Part I of a two-part series.)

Service, specials and successive mergers characterize the supermarket industry today. The reason? The better to attract and provide for today's affluent housewife.

Food retailing has come full circle.

In the old days it was the general store that sold everything from horse harnesses to soda crackers.

Now it's the ultramodern supermarket that sells everything from TV sets to prune-flavored yogurt.

And today's affluent customer apparently wouldn't have it any other way, judging by her shopping habits.

In fact, she's the one who has made it all possible.

She prefers the convenience of buying a wide variety of foods and nonfoods in one store at one time.

She likes the new highly-processed food lines even though they are more expensive.

Because of her preferences, retailers have expanded their product mix to include more varieties of foods and more expensive foods. To woo her, they have combined variable price and non-price merchandising.

**Chain Reaction.** This turn of events, however, has been a mixed blessing for grocery chains.

Historically, grocery chains depended primarily on price competition as a means of increasing sales. With the introduction of the independent supermarket in the thirties, the chains found themselves competing with size and variety as well as selected low prices.

For the most part the early cost advantage of the grocery chains has eroded away. Affiliated independents now use chain methods of supply and distribution.

As a result, while the chains' share of total U.S. grocery sales rose from 34.4 percent in 1948 to 47.0 percent in 1963, the share of affiliated independents kept pace, rising from 35.4 percent in 1948 to 43.9 percent in 1963. After 1954 the growth of the affiliated independents ex-

ceeded that of the chains.

From 1954 to 1963 the average market share of the four largest food retailing firms in each of the 218 standard metropolitan statistical areas—and this includes independent as well as national and local chain stores—increased from 45.4 percent to 50.1 percent.

But this increase was shown to be due entirely to net growth of local and regional firms. On the average, the 20 largest grocery chains in the nation contributed some net increase nationally, but experienced a slight net decline in local areas.

**Move to Merge.** Though grocery chains have been merging since the 1920's, the merger tempo increased fivefold in 1955 when grocery chains made acquisitions totaling \$559 million.

In every year since then grocery chains have made acquisitions of over \$300 million with the peak in 1963 at \$568 million. Setting the pace, the 20 largest chains acquired 297 firms with combined sales of \$3.1 billion—representing the bulk of the mergers for the period.

A side effect of these mergers has been an increase in concentration of grocery wholesaler firms with the 50 largest

firms expanding their market share to 43 percent from 1958 to 1963.

In addition, some grocery chains have created their own centralized wholesale purchasing agencies. The largest serves 32 chains.

Food manufacturing by the 40 largest chains has also increased. Emphasis has been on bread and dairy products, with a view to reducing costs of distributing these items from plant to retailer.

**Operating Expenses Up.** Total operating expenses of supermarket, as reported by a leading trade association, rose 21.9 percent from 1954 to 1963.

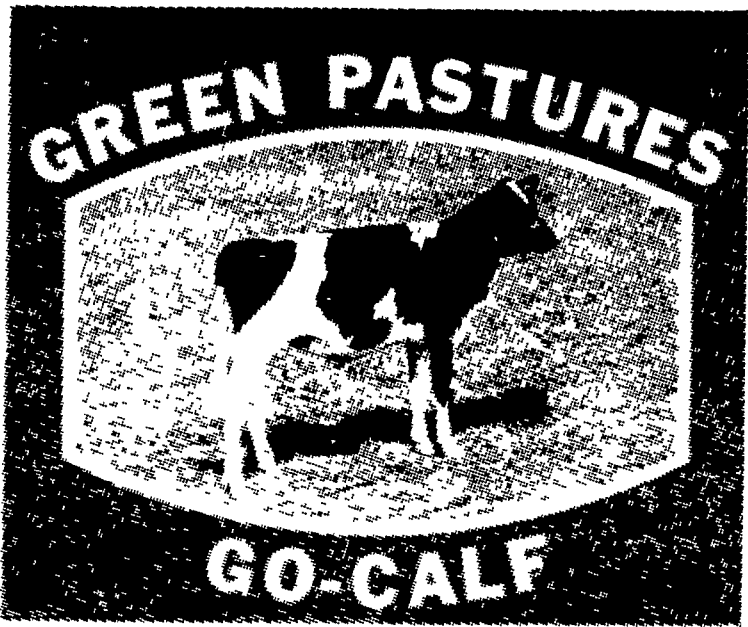
Promotion accounted for 13 percent of total supermarket expenses in 1964; building occupancy (rent, mortgage, taxes, etc.), 14 percent; heat, light and power, 4 percent. The largest single operating cost to supermarkets was labor—46 percent of operating expenses.

(Continued next week)

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