THE MARKETING CONCEPT: LESSONS FROM THE SCHOOL OF HARD KNOCKS ...AS TOLD BY A GRADUATE

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ABSTRACT

This paper describes an episode in supermarket history in an effort to show that even large and successful marketers forget the basics. The effort to rapidly build five hundred new supermarkets in many parts of the U.S. over a very brief period of time is described. Virtually all of the stores were built and major decisions made that changed the very nature of store design without any marketing research. Various failures are described and the consequences to the company and to some of the executives are disclosed.

INTRODUCTION

> "The marketing concept is a philosophy of business that states that the customers' want satisfaction is the economic and social justification for the firm's existence. Consequently, all company activities should be devoted to determining customers' wants, while still making a profit over the long run." (Stanton and Futrell, Fundamentals of Marketing)

Any student who sits through a course in Marketing, be it Retail Management, Advertising, Selling, or Merchandising, has had the marketing concept practically pounded into his head. This concept, on the face of it, is so basic and so sensible that one might wonder why we bother to discuss it at all. Within the adult life of many business professors now teaching, however, there are many real world illustrations of the fact that many successful marketers have occasionally lost sight of the reality of the concept. This paper is based upon the experiences of the writers who witnessed first hand the evolvement of a strategy that appeared to ignore entirely the marketing concept by a huge company that should have known better.

During the early 1950's most of the major food chains undertook major expansion programs. Unfortunately, they were not all uniformly successful and the stores that were the major competitors then are not necessarily those that are on top today. This paper focuses primarily upon the experience of Safeway Stores during that period.

Safeway undertook to build five hundred new stores over a very short period of time; many of them designed to replace older obsolete stores, and many in totally new markets. Most of the stores owned by the company at the time of the decision to launch the program were 20 or more years old.

The new stores were the outgrowth of many planning sessions, with experts from the various departments contributing their insights on how the stores should be designed. Many ideas were brought forth and were daily discussed at the top level real estate meetings conducted in the San Francisco headquarters. Huge maps, some requiring two people to move them, for every city where Safeway had five of more locations lined the walls of the board room. This was a major

*"The views expressed herein are entirely those of the authors and not necessarily of the Proceedings editors, the Conference or its sponsoring organizations, or any interviewees cited."

project and Lingan A. Warren, Safeway's C.E.O. from the mid-1930's, was present at each meeting and took personal interest in the crash building program.

The project was given top priority and was directed by one of the two top vice-presidents of the firm. He marshalled the efforts of three in-house departments to direct and complete the program. These departments were: 1) Franklin Design Service, which planned the layout and design of the stores, 2) Brewster Research Service, whose job it was to select the merchandise that the new stores were to stock, and 3) Concord Builders, who supervised all aspects of construction.

In the interest of economy a decision was made to make the stores as much alike as possible, so a prototype design was developed. Many compromises were required to accommodate a uniform design. Sweeping decisions had to be made and policy decisions often were made for what might be called arbitrary reasons. One of the first was how large to make the new stores. Eventually, the decision was made to make them three times the size of the previous prototype model that had been developed in the 1930's. Each store was to have a parking lot two and a half times the size of the store's square footage. The old model had been constructed of yellow brick. The decision was made to make the new stores of red brick...apparently just to be different.

Probably the most significant design factor was the decision to make these new stores windowless except for the area immediately around the front doors. One of the top vice-presidents maintained that windows were old-fashioned; that they needed constant maintenance and that they let in sunshine which faded produce and labels on cans. He also argued that windows added to the cost of heating and air conditioning and, besides, that most windows were covered with large posters announcing advertised specials.

This executive had great clout and many maintain that he personally ramrodded the idea that these new Safeway store were to be windowless. A small window beside the front door was permitted, along with shadow boxes to be used for permanent signs or displays of featured merchandise. This was the only supermarket design that these writers are aware of which featured shadow boxes.

This decision was cheered and supported by the interior layout people, since this meant that they could orient the aisles in what ever direction they felt best. The produce department could be placed anywhere without concern for sunlight. Placement of work areas away from windows no longer would be a problem.

Site selection was delegated to the retail division real estate department. No research on site selection was performed at central headquarters prior to this decision. Instead, operating divisions were simply told to select the cities that were appropriate for the new stores and to decide which stores were to be replaced. In towns where new stores were built, often old stores were closed. Specific stores to be closed and how many were also decisions delegated to operating division heads. Thus, for example, the Denver Division was responsible for securing sites for these huge new stores in all of Colorado and parts of Wyoming and Nebraska, a huge geographic area with towns of diverse social and economic nature. To the best of our knowledge, no systematic site selection research was used company-wide, so no uniform site selection criteria were applied.

After a relatively brief period of time, the major decisions concerning store design, layout, stocking plans, and so forth were made. Over 500 new stores were then built over the next three years. Surprisingly, most of the stores did well, but there were some monumental failures. Many blamed these problems on the speed with which the decisions were made, quoting the old adage, "haste makes waste."

The number of failures was substantial enough to develop a "white elephant" list at corporate headquarters. What had gone wrong? Why had these modern new stores not succeeded?

As might be expected the corporate axe had already fallen on the head of the vice-president whose idea it was to leave out the windows. He was replaced by a man who had risen from the ranks of store management to head the real estate division. He decided that the lack of windows was the major problem and decided that windows needed to be added to the stores, like the competition had. No consumer research was done on this premise, however.

This decision proved to be an extremely difficult and expensive undertaking. Putting large windows in solid masonry walls is messy, noisy, and very time consuming. This disrupted business while alterations were being made and also required that the store's internal layout be modified. Nevertheless, eventually over half of the stores were equipped with windows. Parenthetically, it might be noted that the current box store trend features the windowless design, so one might wonder whether windows are truly necessary for effective supermarket operations.

Much consumer research was conducted <u>after</u> the rush construction program was completed. Most of the findings of this research was never made available even within the management staff. However, a few anecdotes surfaced and a few of them will be recounted to illustrate some of the types of errors that were made.

In Levittown, New York, Safeway built its new brick box model store with only the word "SAFEWAY" in large letters presented vertically, one letter above the other, on the store tower. There was minimal consumer advertising in this new market where Safeway had not formerly operated. Consumers interviewed at their homes in the area made remarks such as:

• "I couldn't read the store name as I drove by because it was spelled up and down instead of horizontally, like most stores."

• "I didn't know what kind of store it was. The name 'Safeway' meant nothing to me."

• "Without any windows to look into, it was just another building. I really didn't think about what it was. Perhaps a new bowling alley?"

• "The other two nearby food stores are names that I know, A&P and Grand Union. They are both in the shopping center, not outside its boundaries, which would require me to move my car to get to the new store."

• "There were no special price signs on the windows. Come to think of it, there weren't any windows, so I was sure that it was <u>not</u> a supermarket."

Another market where a "white elephant" was located was in Fairbury, Nebraska. The existing smaller store had been located on the town square for over two decades and had prospered. On Saturdays the farm people would come to town to do their weekly shopping. Safeway, being located on the square, was very convenient to the customers since they could do all of their shopping without having to move their car from their prized parking place. Parking spaces were at a premium on Saturday.

The new, much larger, store couldn't fit into the old location, so the local divisional real estate people chose a spot four blocks from the town square and the old location was closed upon opening at the new free-standing location. Since the store was three times as large, the expectation was that the sales volume would be as well. Instead, the sales volume actually fell below that of the old store.

Marketing researchers interviewed townspeople and farmers and found a real backlash against Safeway for the company to have the audacity to move from the locally preferred congregation point. The new store didn't look like the old store and it required them to move their cars several blocks. Instead of moving to the newer, and much nicer store, they elected to shop in the several smaller stores located on or near the square, so the existing stores benefitted from Safeway's move.

The research conducted after the problems began to surface taught Safeway the wisdom of avoiding the urge to rush into new markets without first researching intensively. It was that the company didn't already value the function of marketing research. A division that conducted research on external factors already existed within the company (Oxford Business Surveys), but unfortunately the internal research division (Brewster Research Service) which participated in the strategy development lacked the experience for conducting external research.

Lessons Learned

Safeway obviously learned some costly lessons from this hasty "production oriented" approach to new store development. Their stores today tend to blend better into the surrounding architecture, rather than being "cookie cutter" reproductions of one another. They do, however, appear to share certain features that make them readily identifiable as Safeway stores, such as the glassed fronts and the arched dome front.

The "White Elephant" program was closely supervised and most of the serious problems were worked out eventually. Some of the bigger stores were simply closed and many were eventually converted into Liquor Barns. This was especially the case in California and Arizona. Incidentally, Safeway recently has sold the Liquor Barn operation.

A new crash program began in, of all places, marketing research. Analysts were hired directly out of business schools or pirated from other companies an a new research section called "Potential Sales of Proposed Safeway Stores" was formed. All potential locations were required to be submitted for analysis. Extensive trade area analyses are now conducted for each potential site. All external factors, such as competitor locations, traffic impediments, population density factors, and local shopping patterns are now factored into site evaluation.

The happy result has been the high rate of accuracy in sales potential forecasting that has been developed. This has reduced the number of low-potential stores. Many sites have been rejected after being subjected to the new analytical processes, much to the chagrin of local real estate developers and retailers, who scoffed at the "college boys" approach to site evaluation.

Needless to say, major decisions about location within specific communities and merchandise mix are now the result of extensive consumer research. No longer do they yield to "gut" reactions about the desirability of certain products. Rather than allowing all decisions to be made by retail managers who were almost entirely male, research findings from women shoppers are now almost always used.

Since the time when Safeway experienced the travails discussed in this paper the supermarket industry has changed dramatically. The big three of that era, A&P, Safeway, and Kroger, have all reduced their total number of stores, especially the former two. The one factor that appears to be constant is the dynamism of the marketplace. Larger stores open and smaller stores continue to close. The trend to one-stop shopping and stores specifically designed to match local demographic niches have become the rule.

The very idea of a prototypical store where all stores are virtually identical is laughable in the supermarket industry. There are certainly efforts to standardize layouts in general, but departmental layouts and merchandise selections are dictated by local tastes of the customers of each store. These tastes are readily ascertainable, and are closely monitored, through the use of UPC electronic scanners to provide internal data for decision making. Siting and architectural styles are also closely fitted to specific locales as well.

The marketing concept, based upon customer-orientation, profitable sales volume and organizational coordination, was certainly not the seed of inspiration that the Safeway strategy was based upon. This huge firm, with all of its merchandising experience, lost that focus and careers of otherwise competent managers were ruined. Perhaps this brief history of an unfortunate experience might serve to reinforce the necessity of looking to the market rather than listening to that internal voice that tempts executives to believe that they know what is best for their customer.

Someone once said, "The problem with getting your education in the school of hard knocks is that you take the tests <u>before</u> you read the lessons." It's a hard way to learn. Take it from someone who went to that school.

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