

Trade Press Release
National Candy Wholesalers
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Address Of
Ernest Prince, McKeesport Candy Co.
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It is a privilege to represent the wholesaler and his customers, and the independent retailers of the nation, in this panel discussion today.

However I want to forget the wholesalers problems at this time and talk to you about the problems of the independent retailers in selling your products.

In doing so, I realize that I am talking about a lot of retail outlets. There are a million and a half independents in this country, according to the U. S. Dept. of Commerce. And I think I am safe in saying that at least a million of these sell candy. They outnumber the chains ten to one.

So I am honored to be speaking for this vast number of the independent retailers of candy.

I want to talk to you first about the trends in packaging, particularly the trend toward specialty packages. I want to discuss the trend toward self service stores and the opportunities and also the dangers, as I see it.

Then I want to talk to you about the 5¢ and 10¢ bar situation; because I know most of you here are producers of bars and through the years have developed a tremendous volume of business on these items. I am sure that you are reluctant to see this tremendous market diminish.

First, however I would like to say to the specialty package manufacturers that I am glad to see that some of you are pre-pricing your merchandise. When the consumer sees the price on the label he recognizes that the value must be there since the manufacturer thinks enough of it to say what it ought to sell for.

Second, I am glad to see your merchandise being bracketed according to price instead of weight. A 12 or 13 ounce package of chocolate drops at 39¢ will sell a lot better than a pound package at 49¢. I find that the consumer likes best the units prices at 19¢, 25¢, 29¢ and 39¢.

The trend toward super markets or self service stores has captured the nation's fancy in recent years. Candy has found its place in this picture and this has revolutionized marketing and packaging of your products. Almost every candy manufacturer today is making specialty packages for the self service store. The potential sales per store are phenomenal and the size of the orders from large and small chain super market operators are impressive, to say the least.

But these very facts may indicate dangers to the manufacturers and the future of the candy industry. I, therefore, raise these questions for your consideration:

Is the trend toward specialty packaging going to compensate for the loss which is occurring in bar goods volume?

Can the housewife's purchases make up for the nickle and dime sales?

Can the manufacturer afford the risk of gearing his production and marketing methods to the mass buyer without the inherent dangers resulting from having placed all his eggs in one basket?

Can the manufacturer fail to recognize that in the innumerable retail outlets of the country lies his opportunity and margin of safety?

We do not underestimate the economic role of the chain store, super market, vending machine and other distributive arteries. We know that the manufacturer must utilize every available outlet.

But I maintain that the manufacturer can have his cake and eat it too -- if he will just give some of his thought and consideration to the problems of the independent as well.

For example, is there any reasons why the mass buyer is entitled to a lower price than that given to the wholesaler, which differential in purchase cost must reflect itself in the price the consumer pays to the independent retailer?

Does the manufacturer take into consideration the margin needed by the wholesaler and retailer in his development of items that automatically fall in a fixed resale price bracket? For example, an item costing 21¢ and 22¢ invariably falls into the 29¢ bracket.

Is there not value in meeting this problem by designing selling units primarily for sale by the independents?

Isn't the bar manufacturer overlooking a tremendous potential in not making it possible for the independent retailer to sell multiple unit bars at a profit?

Finally, can the manufacturer justify the vast difference some make in their selling price on 24 count as against 100 and 120 count, which in effect subsidizes this class of buyer at the expense of the independent?

I confess that I do not know the answers to these problems but I implore you men to weigh them carefully and consider ways and means of fully utilizing the independent retailers of the country who are in essence the very backbone of the free enterprise system. He is the fellow who according to the latest available U. S. Department of Commerce figures is selling 77.1 percent of the production of the bar

goods manufactured as compared to less than 23 percent for all other types of outlets. He is the fellow wherein lies the greatest potential for increased sales, for if his sales could be increased by only 10 percent there would be an increase of at least fifty million dollars of candy volume at the manufacturers level each year.

I don't know whether any of you present could handle any of this additional volume. But I am sure that the industry as a whole would welcome it.

The wholesalers are undertaking to bring this about. The Wholesale Confectionery Industry Foundation, the research branch of the National Candy Wholesalers Association has attacked this problem at its very roots, the point of sale in the retail store. And we are grateful for the help and encouragement of a number of the leading manufacturers.

We recognize that there are many questions in the retail marketing of candy which have not been answered scientifically. Prerequisite then to the solution of these problems is a thorough study of all the areas of knowledge related to the problem.

Of the many phases of retail merchandising with which the Foundation might concern itself, the one we feel is paramount at this time is the providing of adequate displays for the more than a million retail outlets throughout the country.

But the task is not a simple one. The retailer must not only be convinced of the desirability of devoting more space to candy but there must be found display facilities which can be adapted to the present store arrangement -- stores already filled to overflowing with other product displays.

There is the problem of getting the right display fixtures for the particular store since the independent retailer represents every type of store imaginable.

We are tackling the display problem from several angles. First is the development and testing of racks and display cases for all types of confectionery

products. It is almost a blanket indictment of the entire candy industry that with the exception of the gum and mint firms and a few other manufacturers there has been seemingly little concern as to what happens to the product when it reaches the retail stores. The candy industry is indebted to the firms who have shown initiative in developing and furnishing display facilities. And I am pleased to call your attention to some of this equipment on display here today.

These displays may seem small in comparison to the drug store exhibit here but bear in mind that these and similar racks and cases have up to the present and to a large degree carried the display load of approximately half of the candy sold in this country.

In addition to the well known counter cases, you will note on display the all purpose floor case developed by NCWA President, Peter Kramer, Jr. and made available to the Foundation for test purposes.

Next you will note the E. J. Brach & Sons case which this firm supplies to its distributors. It is used chiefly for specialty package and bagged merchandise.

Third, you will note a similar case produced by an Illinois equipment manufacturer which can be used for either specialty merchandise, or mult-packs, or for display of 5 or 10¢ bars.

Fourth, we are exhibiting here, along with the regular counter racks of American Chicle Co., Beechnut Packing Co. and Wm. Wrigley, Jr. Company, the wire racks for 10¢ size bars which I will tell you about in a moment.

While all of these cases make for increased sales, we do not feel they are the final answer. Therefore we are proceeding with the search for new ideas which will be thoroughly tested and proven in the months to come.

In the meantime, we are also testing other ideas of merchandising. As you know the Foundation designed the special wire rack for the purpose of creating a 10¢ bar department separate from the five cent bars. It is on display here, both

as a double unit showing twelve bars and a single unit of six bars. While there may be many things wrong with the rack it has served our purpose in this test.

We placed these racks, through our members, in 500 retail stores in 37 states throughout the country. Only about half of the returns are in and it is possible to report only on segments of these because of the difference in the completeness of the reports and the differences in what they sold previously and how they displayed it. So we have taken 46 retail outlets in 7 states to report as follows:

In these 46 retail stores where both 5¢ and 10¢ bars were sold prior to and during the test and where both 5¢ and 10¢ bars were displayed together, and where essentially the same brands of 10¢ bars were sold during the test as before, the stores showed an increase of 61 percent in the sale of 10¢ bars during the test. This was an average increase of \$3.00 per store on 10¢ bars.

In another group of 24 stores located in a major Eastern city, where each store was similar to the first group except that these stores handled an average of only two varieties of 10¢ bars, the increase in 10¢ bar sales was 268 percent with an average variety during the test of 8 bars.

So we can perhaps tentatively conclude that 10¢ bars will sell better when displayed in a separate department from five cent bars and they will sell better if displayed in larger variety.

Possibly these results will hold out some hope to the manufacturers who are faced with the dilemma of what to do about 5¢ and 10¢ bars. We hope too it will help the wholesaler and retailer who are so troubled by short margins on bars.

We are looking forward to many other fine results from our market research program and we are sure we can do much to improve the merchandising and increase the sale of candy at the retail level in the days to come.