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PRICE DISCLOSURE ACT

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KANSAS STATE UNIVERSITY

HEARINGS

BEFORE THE

SUBCOMMITTEE FOR CONSUMERS

OF THE

COMMITTEE ON COMMERCE

UNITED STATES SENATE

NINETY-FOURTH CONGRESS

FIRST SESSION

ON

S. 997

TO AMEND THE FAIR PACKAGING AND LABELING ACT TO REQUIRE THE DISCLOSURE BY RETAIL DISTRIBUTORS OF RETAIL UNIT PRICES OF CONSUMER COMMODITIES, AND FOR OTHER PURPOSES

NOVEMBER 3 AND 17, 1975

Serial No. 94–51

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PRICE DISCLOSURE ACT

MONDAY, NOVEMBER 3, 1975

U.S. SENATE,
COMMITTEE ON COMMERCE,
SUBCOMMITTEE FOR CONSUMERS,
Washington, D.C.

The subcommittee met at 10 a.m., in room 5110, of the Dirksen Senate Office Building, Hon. Frank E. Moss (chairman of the subcommittee) presiding.

OPENING STATEMENT BY SENATOR MOSS

Senator Moss. The hearing will come to order.

Today we begin 2 days of hearings on S. 997, the Price Disclosure Act.

This legislation has received widespread attention from both the public and the food industry and it is appropriate that we take time this morning and on November 10 to study carefully the provisions of this bill.

I would like to point out at this juncture that while some have suggested that this legislation is designed to frustrate or hamper the implementation of automated check stand equipment and the Universal Product Code, similar legislation has been introduced every year since the passage of the Fair Packaging and Labeling Act of 1966.

As many of you know, one of the major facets of this legislation is that it would require unit pricing of most items in our grocery stores. I consider unit pricing to be an important weapon for consumers in combating spiraling food bills.

A recent General Accounting Office study should put an end to the uproar that is brought about whenever unit pricing's value is contested. It showed that the costs of implementing a unit pricing scheme are more than offset by the savings consumers receive from being able to evaluate which product is the best value at moment's glance.

It is true that unit pricing is not used by as many consumers as I would like. But as we all know, consumer education is a long-term process and until a new generation of consumers are exposed to and educated in the use of unit pricing, we cannot expect universal use of it.

I should also point out that while about half of our grocery stores now employ a unit pricing system, those systems are not ideal. The markers are often hard to read or in some cases, even inaccurate, and the major problem is that the labels are often not alined with the proper products.

Staff member assigned to these hearings: Edward A. Merlis.

The GAO study found that 10 to 20 percent of the products were missing labels and 7 to 30 percent of the labels were unusable or only partially usable due to product overlay, label misplacement, poor condition or proximity of shelf to package.

Another major provision of this legislation would require price marking on many products found in the supermarket. While similar legislative proposals have been pending since 1966, it takes on added significance now with the coming of automated check stand equipment.

Last December, the Consumer Subcommittee conducted a comprehensive symposium on automated check stand equipment and UPC and what we learned was both important and interesting. I am quite enthusiastic about the potential of UPC. It could save retailers and consumers millions of dollars. It could assist in inventory control. It could speed up service in the supermarket. And the consumer could be given an itemized listing of his or her purchases.

But it cannot be allowed to develop with a public-be-damned attitude. It is ironic that with the so-called consumer movement into its second decade, we sit here today and debate the right of the consumer to be told the price of an item which he or she seeks to purchase.

It is not a satisfactory answer to me to be told that the consumer may make the price himself with a grease pencil. Nor should we have to become a nation of file clerks, rummaging through drawers full of old register tapes merely to compare prices of items sitting in the pantry for several weeks.

During the course of these hearings, I will be interested in pursuing these issues and others: For example, would it not be in the best interest of retailers to enact a Federal statute, with strong preemption, to alleviate the need for a regional retailer to comply with a multiplicity of State statutes and local ordinances?

What problems of secrecy and confidentiality are posed by instore computer capability and what measures have been taken to insure privacy?

Has UPC, in fact, provided the kinds of savings which were promised by its promotors in our December symposium? In what ways should S. 997 be modified to protect our small "mom and pop" groceries from awesome economic burdens? Who will be responsible for verifying the accuracy of the price data in the computer?

The bill before us is not cast in concrete. The purpose of these hearings is to receive public comment on its provisions to assist the committee in making the necessary modifications.

[The statement follows:]

STATEMENT OF HON. JOHN V. TUNNNEY, U.S. SENATOR FROM CALIFORNIA

I am very glad that these hearings have been called to examine and discuss S. 997—The Price Disclosure Act. As a cosponsor of this important consumer protection bill, I hope that the testimony which we will hear today will help us to report a strong and effective piece of legislation. When we are through, the Price Disclosure Act must guarantee that all consumers have easy access to sufficient and reliable price information on every potential purchase.

In preparing for these hearings, I have recently met with several California consumer groups. Their insights and suggestions regarding S. 997 have generated several questions which merit our attention during these proceedings.

I cosponsored S. 997 because there is an undeniable need for prices to be clearly displayed on individual packages. The removal of price markings from retail

items would undermine the purpose of the Federal law dealing with Fair Packaging and Labeling. Congressional policy declares that:

"Informed consumers are essential to the fair and efficient functioning of a great market economy. Packages and their labels should enable customers to obtain accurate information as to the quality of the contents and should facilitate value comparisons . . ."

If this goal is to be achieved, *unit pricing* and *item pricing* are both essential consumer tools. Furthermore, it must be stressed that unit pricing is *a complement and not a substitute* for item pricing.

The Universal Product Coding System (UPC), with its advanced computer technology, is becoming synonymous with unit pricing. As this system evolves and becomes more widely deployed, it portends important new consumer benefits, including more efficient check-outs and easier "comparison shopping." However, it is important to remember that UPC is relatively new and untried, and often confusing to untrained shoppers. This potential for confusion is precisely why item pricing must be guaranteed by law. S. 997 would make good this guarantee.

Lack of public awareness and understanding of the UPC type of unit pricing raises some very important additional issues which should be addressed by these hearings and by the final draft of S. 997.

First, I believe that there exists a definite need for an educational effort to inform consumers about the merits and techniques of unit pricing. Consumers need to learn that unit pricing is an extremely effective means of reducing one's food bill. Unit pricing exposes the gross disparity in prices for identical products marketed in different (and often deceptive) packages, as well as the price differences among the same products sold under different names. But, consumers must be educated on how to use unit pricing and how it can help them. In light of this need for consumer education, I advocate the following improvement in S. 997:

"Funding should be allocated to provide for educational material in the stores (or mass media) to explain how unit pricing works and how using it to make cost comparisons can save consumers money. Studies show that more informed consumers are more apt to use unit pricing."

Second, I strongly believe that the Price Disclosure Act should provide for the private enforcement of its provisions. There should be a provision for the recovery of damages from a supermarket that violates the law, and also for the recovery of costs and attorneys' fees.

Finally, I suggest that throughout these hearings we search for satisfactory solutions to the following issues and questions raised by several very concerned consumer groups who I have conferred with recently:

(1) S. 997 calls for the FTC to set the guidelines for unit pricing—There is lack of consumer confidence in the FTC. Therefore, there is a need for the Senate to establish standards for unit pricing which are readable, usable and uniform.

(2) The use of computers in markets will make it easier to collect information on individual consumers. We may want to include specific regulations in S. 997 that would eliminate the possibility of infringement upon the rights of consumers (e.g. forbidding the distribution and sale of individual check-cashing histories) resulting from the improper use of data banks.

(3) S. 997 should incorporate a tighter definition of items "not now priced." The bill should identify what items will be exempt.

(4) In our deliberations at these hearings, we should consider the issue of standardization of packaging. Many feel that voluntary standardization is simply not working. Within this context, we should seek standardization by weight and not by size. FURTHERMORE, we must include consumers in the development of a standardized packaging program. I have frequently spoken with consumers who have expressed great anger at not being involved in the development and introduction of Uniform Product Coding.

(5) I believe that we should delve into cost of packaging. There seems to be a paucity of information comparing the cost of a particular package to that of the product inside. Information of this kind may indicate that consumers could be saved significant amounts of money if extravagant packing could be discouraged.

As we begin these hearings on the Fair Pricing Disclosure Act, I hope that we can address, resolve and synthesize these important consumer protection objectives into a bill that can be expeditiously reported and passed by the entire Senate.

[The bill follows:]

94TH CONGRESS
1ST SESSION

S. 997

IN THE SENATE OF THE UNITED STATES

MARCH 7, 1975

Mr. Moss (for himself, Mr. ABOUREZK, Mr. CASE, Mr. CHURCH, Mr. GRAVEL, Mr. HUMPHREY, Mr. MCGEE, Mr. MCGOVERN, Mr. MCINTYRE, Mr. MAGNUSON, Mr. NELSON, and Mr. TUNNEY) introduced the following bill; which was read twice and referred to the Committee on Commerce

A BILL

To amend the Fair Packaging and Labeling Act to require the disclosure by retail distributors of retail unit prices of consumer commodities, and for other purposes.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That this Act may be cited as the "Price Disclosure Act".

PRICE MARKING REQUIREMENTS

SEC. 2. Section 4 of the Fair Packaging and Labeling Act (15 U.S.C. 1453) is amended by adding at the end thereof the following new subsection:

"(c) No person engaged in business in the sale at

retail of any packaged consumer commodity which has been distributed in commerce, or the distribution of which affects commerce, shall sell, offer for sale, or display for sale any such commodity unless—

"(1) the total selling price of such commodity is plainly marked by a stamp, tag, or label affixed to a panel of the package; and

"(2) the retail unit price of such commodity is plainly marked by—

"(A) a stamp, tag, or label affixed to principal display panel of the package, or

"(B) a label or sign in close proximity to the point of display of such package, which label or sign shall also contain the name and quantity of contents of such commodity."

EXEMPTIONS

SEC. 3. Section 5(b) of such Act (15 U.S.C. 1454 (b)) is amended by inserting "(1)" after "(b)", and by adding at the end thereof the following new paragraph:

"(2) The following entities shall be exempt from the operation of section 4(c) of this Act:

"(A) Any individual retail outlet which sells or offers for sale packaged consumer commodities and whose total gross sales do not exceed $250,000 per annum, unless such an outlet is one of a number of outlets owned

substantially or whose inventory is supplied substantially, by a single person, partnership, or corporation whose total gross sales exceed $500,000 per annum.

"(B) Any retail outlet in any State which has enacted a mandatory unit pricing law and such law is determined by the Commission to be in full force and effect and comparable in scope and comprehensiveness to the requirements of this section; except that retailers (including chainstores and affiliated stores) who operate outlets in any such State shall be subject to the provisions of section 4(c)(2) of this Act if they also operate outlets in any other State. The Commission shall, upon application by an appropriate and adequately-staffed State agency, or agencies, certify a plan if the requirements of such plan (1) do not unduly burden interstate commerce; (2) afford equivalent or greater price disclosure to an equivalent or greater number of consumers in such State than is afforded by the provisions of this Act; (3) include adequate provision for enforcement; and (4) provide for periodic evaluation of the effectiveness of such price disclosure requirements, in cooperation with the Commission. Such certification shall be reviewed periodically, but not less than once every three years, by the Commission, and shall be renewed if such plan (A) continues to meet or exceed the provisions

of this Act; and (B) is administered and enforced effectively by the State involved.".

DEFINITIONS

SEC. 4. (a) The first sentence of section 10(a) of the Fair Packaging and Labeling Act (15 U.S.C. 1459(a)) is amended by—

(1) striking out the word "consumption" the first time it appears in such sentence and inserting in lieu thereof the word "use"; and

(2) striking ", or use by individuals for purposes of personal care or in the performance of services ordinarily rendered within the household, and which usually is consumed or expended in the course of such consumption or use", and inserting in lieu thereof the following: "in or around the household, but shall not include durable goods which are customarily not expended or consumed during the first year of use".

(b) Section 10 of such Act (15 U.S.C. 1459) is amended by adding at the end thereof the following new subsection:

"(g) The term 'retail unit price', when used in relation to the contents of a package of any consumer commodity, means the retail prices of the contents of that package expressed in terms of the retail price of such contents per single whole unit of weight, volume, or measure.".

ENFORCEMENT AUTHORITY

SEC. 5. (a) Section 5(a) of the Fair Packaging and Labeling Act (15 U.S.C. 1454(a)) is amended by (1) striking out the words "(A) the Secretary of Health, Education, and Welfare (referred to hereinafter as the 'Secretary') with respect to any consumer commodity which is a food, drug, device, or cosmetic, as each such term is defined by section 201 of the Federal Food, Drug, and Cosmetic Act (21 U.S.C. 321); and (B)", and striking out the words "with respect to any other consumer commodity".

(b) Section 5(b) of such Act (15 U.S.C. 1454(b)) is amended by striking out the words "the Secretary or".

(c) Section 5(d) of such Act (15 U.S.C. 1454(d)) is amended to read as follows: "Whenever the Commission determines that there is undue proliferation of the weights, measures, or quantities in which any consumer commodity or reasonably comparable consumer commodities are being distributed in packages for sale at retail and such undue proliferation impairs the reasonable ability of consumers to make value comparisons with respect to such consumer commodity or commodities, the Commission shall request and the Secretary of Commerce shall initiate a voluntary product standard for such commodity or commodities under the procedures for the development of voluntary products standards established

by the Secretary of Commerce pursuant to section 2 of the Act of March 3, 1901 (31 Stat. 1449, as amended; 15 U.S.C. 272). Such procedures shall provide adequate manufacturer, packer, distributor, and consumer representation.".

(d) Section 5(e) of such Act (15 U.S.C. 1454(e)) is amended by striking out the word "the" after "(2)" and all that follows before the end of the sentence, and inserting in lieu thereof "the Commission determines that it has not been observed, the Commission shall prescribe such rules as may be necessary to eliminate such undue proliferation of weights, measures, or quantities in which any consumer commodity or reasonably comparable consumer commodities are being distributed in packages for sale at retail.".

(e) Section 6 of such Act (15 U.S.C. 1455) is amended by—

(1) Striking out subsections "(a)" and "(b)", redesignating subsections "(c)" and "(d)" as subsections "(b)" and "(c)", respectively, and inserting the following new subsection:

"(a) Regulations promulgated by the Commission under section 4 or section 5 of this Act shall be prescribed in accordance with section 553 of title 5, United States Code; except that the Commission shall give interested persons an opportunity for oral presentations of data, views, and arguments, in addition to written submissions. A transcript shall

be kept of any oral presentation. Any such rule shall be subject to judicial review under section 18(e) of the Federal Trade Commission Act (as amended by the Magnuson-Moss Act, Public Law 93–637) in the same manner as rules prescribed under section 18(a)(1)(B) of such Act, except that section 18(e)(3)(B) of such Act shall not apply.", and

(2) Inserting at the end of subsection (b) as redesignated by paragraph (1) of this subsection the following new sentence: "In connection with the training by the Commission of any individual who is an officer or employee of any State or any political subdivision of a State, duly commissioned by the Commission as an officer of the Commission to conduct examinations, investigations, or perform other functions, for the purposes of carrying out this Act, the Commission may allow such individual travel expenses to and from the place of such training, including per diem in lieu of subsistence while in travel status and during such training, in the same manner as such expenses are authorized by section 5703 of title 5, United States Code, for individuals in the Government service employed intermittently: *Provided,* That the individual's training is conducted under an agreement between the Commission and a State, or a political subdivision of a State, pursuant to which such individual, upon completion of the training, will be employed

by such State, or political subdivision to conduct examinations or investigations to carry out the purposes of this Act.".

(f) Section 7 of such Act (15 U.S.C. 1456) is amended by (1) striking out subsections "(a)" and "(b)", (2) redesignating subsection "(c)" as subsection "(b)", and (3) inserting the following new subsection:

"(a) Any violation of any of the provisions of this Act or the regulations issued pursuant to the Act, with respect to any consumer commodity delivered for introduction in commerce, or sold at retail, offered for sale at retail, or displayed for sale at retail, shall constitute an unfair or deceptive act or practice affecting commerce in violation of section 5(a) of the Federal Trade Commission Act (15 U.S.C. 45(a)) and shall be subject to enforcement under section 5(b) and penalties under section 5(l) and section 5(m) of such Act, as amended.".

(g) Section 8 of such Act (15 U.S.C. 1457) is amended by (1) striking the beginning of the sentence beginning with the word "Each" up to and through the word "Act,", and by inserting in lieu thereof "The Commission", and (2) striking the words "that officer or agency for" and by inserting in lieu thereof "the Commission in".

(h) Section 9(a) of such Act (15 U.S.C. 1458(a)) is amended by—

(1) striking the words "to the Secretary of Commerce, who shall (1) transmit copies thereof" and inserting in lieu thereof "by the Commission", and

(2) striking the words "agencies, and (2) furnish to such State officers and agencies" and inserting in lieu thereof "which shall also be furnished with".

EFFECTIVE DATE

SEC. 6. The amendments made by this Act shall take effect on the first day of the seventh month after its date of enactment, except that the requirements of section 4(c)(1) of the Fair Packaging and Labeling Act, as amended by section 2 of this Act, shall take effect on the first day of the first month after the date of enactment of this Act. The amendments made by sections 5(e) and 5(f) of this Act shall take effect, with regard to the promulgation of regulations and the enforcement of section 4(c)(1) of the Fair Packaging and Labeling Act, on the first day of the first month after the date of enactment of this Act.

Senator Moss. I look forward to two substantive days of hearings.

We have a number of very important witnesses here this morning.

Our first witness will be the Honorable Harold Ford, U.S. Representative from Tennessee, accompanied by Frank Montesi, executive vice president of Liberty Cash Grocers, Inc., from Memphis, Tenn.

Congressman Ford has a similar bill that he has introduced on the House side, and therefore is well informed on the matters we are discussing here this morning, and we are very pleased to have one of his constituents who is in the retail grocery business come here with him this morning.

You may proceed, Congressman Ford.

STATEMENT OF HON. HAROLD FORD, U.S. REPRESENTATIVE FROM TENNESSEE; ACCOMPANIED BY FRANK MONTESI, EXECUTIVE VICE PRESIDENT, LIBERTY CASH GROCERS, INC., MEMPHIS, TENN.

Mr. FORD. Thank you very much, Mr. Chairman.

It is indeed a pleasure to appear before you this morning to discuss the issue of price-marking. I am most encouraged that we are finally getting the legislative process underway to enact this most necessary legislation. I introduced H.R. 3126, the consumer price-marking bill, last spring because I have the firm conviction that prices on all packaged products are a consumer's clear right—not anything that is subject to profit margins or cost-benefit trade-offs.

Many of my fellow colleagues in the House agree with this viewpoint, as evidenced by the 73 Members who have cosponsored my bill.

I don't intend to take up the committee's time arguing the merits of our position. There are many qualified people here this morning to do just that.

I would like to introduce one such person at this time. Mr. Frank Montesi is the leading grocer in my home district, Memphis, Tenn. He is executive vice president of one independent family-owned grocery company, and president of the second family company, which operates 8 supermarkets in Memphis, Birmingham, Alabama, and St. Louis, Mo.

He has been in the retail supermarket business all his life and is prepared to tell it like it is this morning from an insider's viewpoint.

Mr. Montesi is a special witness. His industry, as a whole, has been opposed to my bill. His years in the grocery industry, however, and his concern for the rights of his consumers led him to support my legislation. I think the members of this committee will find testimony from someone who has chosen to look beyond his own special interests quite persuasive.

I introduce to you now—Mr. Frank Montesi.

Senator Moss. Mr. Montesi, we are very pleased to hear from you, sir.

Mr. MONTESI. Mr. Chairman, Senator-members of the Commerce Committee, I thank you for the privilege of appearing here today and especially I thank the Honorable Harold Ford, Congressman Representative from my district in Memphis, Tenn., who made this possible.

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My name is Frank Montesi. I am 48 years of age, and have been in the wholesale and retail grocery business since I was 12. I have been a clerk, a store manager, an executive for a national chain, and am presently an owner-executive in two companies operating a wholesale business in Memphis, Tenn., which services some 500 independently owned retail markets as well as 8 company-owned supermarkets of approximately 72,000 square feet per store, operating in St. Louis, Birmingham, and Memphis.

I wish to give witness to S. 997, and urge its passage. It is not in the best interest of the consuming public of this country to purchase merchandise in a supermarket without the price being marked on each and every item.

The Universal Product Code which is to be used in conjunction with a laser-scanner in order to speed up the checking out of groceries without those groceries being price marked would be a true disservice to the American public.

As a grocer, I have an obligation to render good service to the public, and by rendering it well, the public in turn will have confidence in our stores and the way we do business and will return to shop with us week after week.

If the price is left off the merchandise due to the failure of passage of this bill, the opportunity to rip off the American public will be the greatest in history.

As groceries are checked out in a supermarket today, the price is on every item, or almost every item, and when the housewife has her groceries checked out, she can instruct the checker to slow down, that she wants to watch carefully to be certain she is being charged the price that is on the item.

If the housewife chooses not to do this at the checkout terminal, she can still check item by item at home against a register receipt and she can readily discern any overcharge and go back to that store and get it straightened out.

With the use of the Universal Product Code and scanner as it is planned to be used at this time, without legislation such as this bill the scenario is going to read like this: The housewife is going to travel through a supermarket and a shelf tag will tell her that a can of asparagus is 67 cents, a can of pork and beans is 27 cents, and the price won't be marked on the cans.

After she selects 40 or 50 items, and enters the checkout terminal, the merchandise will pass over a scanner beam, and unless she has written down the price of every item, there isn't any way for her to know whether the price she paid for it was the price on the shelf tag.

The price will be programed into a computer which will translate the UPC markings on the items and that is the price that will be rung up, and that's the price that she will have to pay. She will be rendered a receipt and the receipt will say pork and beans and the price beside it, asparagus and the price beside it, et cetera, and slowing down the checker won't make any difference because the customer will be at the mercy of the computer, and if the computer isn't price-programed in perfect accuracy on those and all other items, I believe the customer is going to be cheated in many, many cases.

Further, if she wants to recheck her groceries at home, she can only discern the price she paid and whether or not she got the items she paid for at the checkout terminal.

She cannot prove that the prices she paid were the prices as marked on the shelves, because the items are not price-marked. The only way she can verify the integrity of the scanner programer will be to write down the price of every darn item when she puts it in her basket at the time she makes her selection.

Consequently, you are dependent on the shelf tag being accurate and you are dependent on the computer price programing being perfect. You will have no way of knowing if it is correct, if it is honest, and if it is up to date.

In other words, the service to all consumers is going to be reduced and the supermarkets are going to save on labor by putting a blindfold on the eyes of the consuming public.

The labor savings will come about by eliminating all price marking. Stock clerks will simply open a case and throw it in the shelf. That would save labor and would also put people out of jobs by reducing the number of stock clerks needed in supermarkets, thereby increasing unemployment simply by eliminating a vital service to the consumer, literally eliminating the consumers' right to know if they paid the correct price for the merchandise.

We have many instances of price fixing by supermarket groups, such as a recent one in California, in which the price of meat was fixed by groups powerful enough to impose their wills on the public.

More recently, a large chain was fined for consistently not reducing the shelf price to the advertised, special price.

I become frightened when I think of what opportunities to proliferate this practice will be available in the event this bill is not passed, simply because the merchandise will not be price marked, each and every can or package.

At the checkout terminal, the scanner is faster than a human being by about 17 percent, under comparable conditions, but the scanner will be just as fast if the merchandise is price marked because it will still be reading the UPC and translating it through a computer and the housewife will still have the right to slow down the checker, and she will still be able to check out her groceries at home, and that's the way it should be.

There are 7 million, or more, dyslexic people in this country, millions who are foreign born, millions more who are poor and uneducated. These millions add up to 20 percent of the American adult public who are literally overwhelmed by the electronification of their lives taking place, and they are unable to cope with today's society.

They can't read a newspaper help-wanted ad, or figure the best buy in grocery items, or even make a reservation with an airline or train. These are the results published last week by the University of Texas at Austin, under a $1 million contract with the U.S. Office of Education.

With the price being left off the merchandise, these people are going to be plunged even deeper into the darkness of hopelessness. These are the people who most need the protection of unit pricing, which is also part of your bill.

It took nearly one-half a century to get the suggested retail price for an automobile put on every car, and cars are not purchased every week, every month, or every year.

Gasoline is precious, and we have laws to protect the consumer by way of inspection and certification of the accuracy of the meters on the gas pumps. Food is purchased every week, sometimes twice a week, and it would be tragic to have laws guaranteeing the accuracy of gasoline being pumped, guaranteeing the price sticker on every automobile, and not have a law requiring that the price be on the goods that sustain life.

I was a member of a union once for 7 years, and I believe the country is much better off with unions than without them.

Today, I am an owner-executive of companies which are fully unionized and my experience tells me that in almost every instance, unions believe in improved productivity through efficiency, but no union wants to see improved productivity and efficiency at the expense of the rights of the people to know that they are getting what they pay for and at the stated price.

Putting people out of work on such immoral grounds is simply asking the unions to protect their membership, and they have every right to do this.

If this type of unemployment comes about, the unions have no recourse but to further protect their members by really socking it to the grocery industry, and then what do you have? Most of the savings in not pricing the merchandise will be eaten up by a natural union reaction to protect its members.

I believe the unions are representing the majority of the American purchasing public when they tell you they are against the scanner and the price being left off the merchandise.

My company is not against the scanner, as such, and in our eight stores we were the first to install the very sophisticated NCR No. 255–726 equipment. We are ready to use the scanner, when and if it appears workable, useful, and necessary. I don't believe the equipment manufacturers care whether the merchandise is marked or not. They shouldn't. It isn't any of their business.

Some Members of the Congress might think that if the public doesn't like the price being left off the merchandise, the public can choose a supermarket that does mark the merchandise.

Senators, if powerful supermarket groups can fix prices, then what is to prevent them from converting quickly to nonpricing of merchandise and introducing scanners, and cutting prices to below cost, thereby alluding to the fallacy of "the price went down after the scanner and nonpricing went in. Therefore, the nonpricing and the scanner were responsible for the prices going down." Such groups could eliminate independent competition in a short while and then the prices would go up and the public would be at the mercy of the conspiring groups.

Regardless of these considerations, if this is a "government for the people," then the price should be on every darn item, by law, so that the consumer can check and recheck at the store level or at home without having to write down the price of every item in a notebook at the time the selection from the shelf is made.

If this law is not passed, then I believe that technology will have abrogated the rights of the American public, that they will be "ripped off" because familiarity breeds contempt.

When I was managing a store, a bread vendor I had known for a long time came in at 6:15 a.m. one morning and put this bread on the shelf, and put his surplus in the rear stockroom. He came in the front

door. The receiving clerk didn't begin work until 7 a.m. He brought me a ticket for $117, and I said, "I didn't count the bread."

And he said, "Frank, I've known you for 15 years and I saw you were busy and I didn't want to bother you." He said, "Don't you trust me?"

I thought for a few seconds, then paid the bill.

The next morning he did the same thing, and the bill was $142, but I was ready for him this time. I had put a bunch of dollar bills and change in my coat pocket, and when he handed me the bill, I just took a big handful of it and put it in his leather pouch that he carried his money in. Bread men carried leather pouches in those days.

He said, "What's that?"

And I said, "I just paid you for your bread."

He said, "But I didn't count the money."

I said, "Well, since we've known one another so long and yesterday you asked me to trust you, then I figured today you ought to trust me." I then said, "Look, if I don't count your bread, you don't count my money."

That's carrying trust too far, and I think the same applies here if you leave the price off the merchandise.

Thank you.

Senator Moss. Thank you very much, Mr. Montesi, for that very powerful and interesting statement, and one that we appreciate very much in this committee.

What is the volume of the stores which you operate?

Mr. MONTESI. Well, they run from $9 million to $18 million sales per store, per year.

Senator Moss. How many are involved in this?

Mr. MONTESI. There are eight stores at this time, food stores.

Senator Moss. The operators of many retail grocery stores have opposed the price marking requirements of S. 977, arguing that consumers in the marketplace ought to decide whether or not there should be price marking.

It is argued that a retailer who price marks may be in a better competitive position than one who does not.

I think you touched on that in your statement. But do you concur with this philosophy?

Mr. MONTESI. Would you mind asking me just in short what you mean?

Senator Moss. It is argued that a retailer who price marks may be in a better competitive position than one who does not. Do you agree with that?

Mr. MONTESI. The one who price marks is in a better competitive condition?

Senator Moss. Yes, sir.

Mr. MONTESI. No.

If you leave the price on merchandise, it takes more time. There is more labor. Without price marking you can throw 24 cans of pork and beans on a shelf in 5 or 6 seconds—it might take twice that long—well, not twice as long, if price marked.

It costs more money to price merchandise; yes, sir. It does. But in my opinion, it is consistent with the rights of the people to know what the heck they are paying for merchandise.

Senator Moss. Do you know how much of your savings for automatic check systems are lost due to price marking, the time it takes for price marking?

Mr. MONTESI. I don't know that we have lost anything yet.

Senator Moss. As one who operates retail grocery establishments in more than one jurisdiction, do you believe it would be more advantageous for you to have a Federal statute with strong preemption requiring price marking or to leave this issue to the States?

Mr. MONTESI. There should be a Federal law for all the people because it is consistent with their rights to know.

Senator Moss. Would it be more difficult for you to operate if you had a different law in different States?

Mr. MONTESI. To be sure.

Senator Moss. Do you think it is possible to maintain a 100-percent accurate system of shelf marking which is what would be necessary if prices are not marked on the package?

Mr. MONTESI. Mathematically, the computer can be made to function perfectly. But human beings have not been able to do so in any case I know of. I don't think it will ever come about. One-hundred percent accuracy is literally impossible, and beyond the framework of human capability.

Senator Moss. If you just had shelf marking, you can have a great degree of confusion?

Mr. MONTESI. No. We do that now and there's no confusion.

Do you want me to be specific regarding scanner-programing abuses?

Senator Moss. Yes.

Mr. MONTESI. The home office can put a price of 77 cents on a can of asparagus, and a price change notice could come to your store on Wednesday and you might fail to put that in the programer at 67 cents, the price having gone down a dime, and maybe your store has been showing a low profit, so you let the shelf tag stay at 77 cents.

If you haven't made your price change or if you want to cheat the consumer, you will leave it 77 cents in your programer, by not passing on the price decline to the consumer. Also, a shelf tag could read 77 cents, and charge 87 cents in another situation.

Senator Moss. You think it would be seldom that the buyer would be able to check back on that and come back and demand his 10 cents refund?

Mr. MONTESI. They have no way of knowing. Once they have passed the point of commitment, that is, once the consumer takes the can from the shelf and the can is not price marked, there is little opportuntiy to keep up with what you are charged, and less opportunity to claim your 10 cents refund, unless you write every shelf tag price down. Whereas, the whole price marking process is just simply honest for the consumer.

That consumer can check the price at the terminal and check the price against the beautifully printed out list that NCR supplies with its scanner.

I don't see why it should make any difference to NCR anyway.

Senator Moss. I would like to ask Congressman Ford, are you opposed to the development of the UPC and the scanner, or just to the change in price marking on the packages?

Mr. FORD. My concern is the price itself being on the unit. I am not opposed to the UPC at all, the scanner machine. But I am concerned about the price being on the unit itself.

I can't see any reason why, other than the supermarket owners themselves would be concerned about the matter of the price being placed on the unit.

The consumer is asking for this not only in my district, but on a national level. And I feel it is time that Congress takes some immediate action and passes this legislation to insure the consumers here in America that we are going to protect their interests.

Senator Moss. Well, I appreciate very much your coming, both of you, to testify here today. And we wish you well, Congressman Ford, with your bill over there, and we hope to put them together and make a good bill.

Mr. FORD. Thank you very much, Mr. Chairman.

Mr. MONTESI. Thank you.

Senator Moss. Our next witness will be Lawrence W. Alder, executive director of the Utah Retail Grocers Association; accompanied by Robert Johnson, president of the Utah Retail Grocers; and Henry Bison, general counsel, National Association of Retail Grocers.

We are delighted to have you here this morning. Are you going to do the testifying Mr. Johnson?

STATEMENT OF ROBERT JOHNSON, PRESIDENT, UTAH RETAIL GROCERS; ACCOMPANIED BY LAWRENCE W. ALDER, EXECUTIVE DIRECTOR, UTAH RETAIL GROCERS ASSOCIATION; AND HENRY BISON, GENERAL COUNSEL, NATIONAL ASSOCIATION OF RETAIL GROCERS OF THE UNITED STATES

Mr. JOHNSON. Yes, sir.

Senator Moss. You may proceed.

Mr. JOHNSON. My name is Robert V. Johnson. I am an independent retail grocer operating in Salt Lake City, Utah. I am president of the Utah Retail Grocers Association, and appear here as a representative of that association, and the National Association of Retail Grocers of the United States (NARGUS). The Utah Retail Grocers Association is composed of 400 members operating approximately 575 stores, which include about 85 percent of the grocery stores operating in Utah. NARGUS is a national organization of retail grocers with over 40,000 members operating all sizes and types of outlets. The national association has some 37 State affiliates, the Utah Retail Grocers Association being one of them.

My comments are directed to S. 997, which proposes a Federal law requiring retailers to price mark each packaged item sold in stores and to display each retail unit price—price per ounce, per pint, et cetera. Violations would be subject to a fine of up to $10,000 and if held a continuing violation, the fine could be made on a daily basis.

On the issues of item price marking and retail unit pricing, we favor letting consumers decide for themselves whether they must have such information to help them with their grocery shopping. Our response to the proposed legislation is let the customer decide. We believe in freedom of choice for consumers. We oppose S. 997 because it will deny consumers the opportunity to decide for themselves whether item price marking or unit pricing is or is not an essential service in the stores where they trade.

Under our free market system consumers who want these services will indicate their preference by patronizing stores that provide them. This choice is open to consumers today. A store's success depends on the customer coming back time and again to do her shopping. No business depends more on customer satisfaction, and on repeat trade day in and day out than does grocery retailing.

If the consumers of this country really want each item in the store price marked and retail unit pricing, there is no need to pass S. 997. Assuming there is strong consumer demand for these services they will be provided by retail grocers because competition will force them to do so. Competitive survival requires grocers to provide services which customers demand. The retail grocery business is a competitive people-service business. The grocer's job is to serve people, satisfy them, make them happy, so they will keep coming back. I feel it important to mention the constant efforts grocers make to acquire new customers and retain their loyalty. If grocers make a mistake and customers stop being pleased by what they find in their stores, there are always competitors ready to welcome them and meet their desires.

It is not correct to say we oppose item price marking or unit pricing as a service to our customers. What we oppose is a Federal law requiring that stores provide such services regardless of customers' preferences and individual store capabilities. We oppose a Federal law declaring what is best for all consumers in this matter. We are not opposed to item price marking or unit pricing in principle as long as freedom of choice for consumers is maintained.

We do oppose S. 997 because—in our view—it is a step in the wrong direction, toward making the Federal Government larger. The Government in Washington is trying to regulate and control too many activities some of which should more properly be left to the people, or if shown necessary, to State or local supervision.

As independent operators, we have a special concern about the unnecessary growth of the Federal Government. This fear comes about because small businesses are especially vulnerable in an economy marked by extensive Federal controls and regulations. As the number and complexity of Federal rules expand, the cost and difficulty of small business complying with the law become a greater problem. These firms—mine included—cannot afford to hire batteries of lawyers, accountants, and experts to meet the difficult problems of complying with Federal regulations. It is a fact of life that big government and extensive controls are a special threat to small concerns.

In recent days, increasing public attention has been given to the difficult struggle small business faces in dealing with Federal regulations, redtape, and Government restrictions. Congress recognized the problem is serious when it recently established a Commission on Federal Paperwork. As Senator Moss recently stated:

> Last year the U.S. Government spent in excess of $18 billion to produce, handle, and store official papers, almost as much as its expenditures on health care services and programs. Seven million cubic feet of records were produced in 1972 alone. Nothing moves in government, it seems, without generating more correspondence, reports, directives, forms—and more paper.

The constant extension of Federal regulations and controls over the economy is a major concern today. The cost of needless Federal interference is sizable and growing all the time—thereby adding to higher

prices consumers are charged. Public alarm over this problem is rapidly growing.

Another of our concerns with the proposed legislation is the negative impact it would have in improving productivity in retail grocery distribution. It is too bad our Nation has fallen so far behind major industrialized nations in improving its economic productivity. The best way all of us, as citizens of the United States, can raise our standard of living, hold down increased food prices, fight inflation, improve wages and working conditions, and make our country stronger is to become more efficient in the use of labor and capital. Passing laws that unnecessarily add to the costs of operation runs counter to a national need for increased productivity.

Based on these general considerations, we believe the proposed bill is not in the interest of consumers.

Presently food retailers follow various merchandising practices in providing price information for consumer commodities offered for sale. The decisions concerning which consumer commodities are individually price marked are based on customer preferences and practical experience. Some food retailers provide commodity price information on shelf tags, or display signs, while others price mark many items. An individual food retailer's method of providing price information is established and changed depending upon store success and customer acceptability. Consumers have benefited from this flexibility.

For example, many food retailers do not item price such products as gum, candy, tobacco products, fresh produce; high volume items like milk, eggs, baby food, sale items, bakery products, and film. The product price is displayed near the product or on the shelf. Pricing systems vary from retailer to retailer. S. 997 would eliminate the advantages consumers enjoy because item price marking is left to customer preference.

Many food retailers currently voluntarily item price a number of consumer commodities and feel that consumer preferences, without Government regulation, should decide whether item pricing is desirable. S. 997 would impose additional costs on food retailers for pricing commodities that weren't previously item priced.

For customers of food retailers operating warehouse type stores with posted prices, but not individually priced items, the impact of S. 997 will be substantial. S. 997 requires many food retailers to discontinue their established pricing system and item price each packaged consumer commodity. As a result, consumers will find prices increasing because of additional labor costs. Labor costs now make up the largest part of store operating expenses. Consumers will be hurt by higher prices as a result of the proposed legislation.

Consumers would be required to pay for store services they neither want nor need. Food retailing has always depended on flexibility in providing price information and other services in order to benefit consumers and assure maximum efficiency. Mandatory item pricing legislation is not in the best interest of consumers because it would restrict the available choices for shopping options.

The heart of the item pricing issue is the effect of the Universal Product Code and scanning checkout counters on store pricing practices. The Universal Product Code and computerized checkstands with scanning devices are now being installed in a few stores on a test basis.

The vast majority of food retailers have not yet decided whether to convert to computerized checkout stands along with expensive scanning systems. Any food retailer considering such a major changeover will have to carefully weigh any benefits to consumers with the costs of such equipment. On the basis of early tests, customer response to supermarket scanning has been good. But many grocers are waiting for more extensive operational results as well as important customer experience and attitude surveys. Extensive studies of computerized systems by individual companies are required to determine whether a major change in checkout installations is justified. Evaluations are now being made cautiously.

Industry members hope that UPC scanning will strengthen inventory control, improve labor productivity, reduce misrings and shrink, and produce greater sales information. S. 997 will in our opinion, lessen labor efficiency. Higher labor expenditures will have to be required to item price individual consumer commodities instead of permitting food retailers to test alternative pricing methods.

Whether food retailers will be able to develop alternative reliable pricing systems acceptable to customers is a matter for testing and study. S. 997 would foreclose the issue when some retail establishments are presently testing scanner checkouts. The reaction of customers to the good faith efforts of an individual company's introduction of scanning would become meaningless if S. 997 is enacted. S. 997 interferes with testing, change, and innovation of pricing methods. In addition, it could inhibit and restrict the number of companies willing to risk implementation of the UPC equipment because some potential benefits would be eliminated at the outset.

Without flexibility to seek acceptable alternative pricing methods, the benefits of UPC are lessened.

Compulsory individual item pricing would hurt consumers. Consumers are searching for ways to reduce their weekly food bills. Consumers have accepted alternative merchandising methods to achieve lower food prices. UPC is one of the food industry's attempts to lessen food prices. Consumers should not be denied alternatives and benefits just because scanners are installed. S. 997 would require increased prices because of item pricing even though alternative pricing systems may have proven acceptable.

Mandatory item pricing is one more government regulation that takes away freedom of the marketplace and eliminates the customer's right to decide what is an acceptable service. S. 997 is premature and unnecessary in light of the early stage implementation of UPC scanning. Consumer experience and reaction to UPC operations should be studied and substantiated prior to considering this proposed legislation.

Now, relative to unit pricing, the concern we have about making unit pricing mandatory by legislation is that consumers will lose their freedom to accept or reject the concept. Many grocers, who know first hand, customer use and acceptance of unit pricing think the benefits of this service have been oversold and its costs have been neglected. Unit pricing tells the customer nothing about quality which is always an essential consideration in selecting the best value. Many consumers are especially concerned today about finding products that have a high and consistent quality. Furthermore, different densities

among competing products result in different costs per serving, or per washload, which frequently makes unit pricing very deceiving. However, I am not here either to praise, or to deprecate, the value of unit pricing to consumers.

In considering legislation requiring unit pricing, please note that many grocery retailers do not have the computer technology and capability for posting up-to-date unit prices on thousands of packaged items found in grocery stores. There are 8,000 to 10,000 items in a grocery store and sometimes as many as 200 or 300 price changes occur in a week.

The proposed measure requires developing a storewide unit pricing system that involves calculating several thousand unit prices to match package prices on a day-to-day basis; keeping the entire system current at all times; preparing proper shelf labels as required; making sure that each and every label is accurate, properly located, and correctly displayed with no mistakes.

As pointed out earlier, S. 997 provides for a possible maximum $10,000 fine per day for each missing, misplaced, or incorrect unit price tag or label. The contingent liability involved for a small retailer could easily exceed his entire assets.

Lacking store computers and the expertise to provide unit price labels and shelf tags for each packaged commodity by brand, content size, variety, and product differentiation, many retailers will find the scale of performance demanded by S. 997 exceedingly difficult to meet.

It is very clear that if this bill is made law, many independent retailers—a vast number of local community businesses—will be placed at a competitive cost disadvantage with operators having larger gross sales. This fact results because the economies of scale in providing unit pricing are not available to smaller operators. In general, independent stores will incur higher costs of unit pricing. These stores will experience cost to sales disadvantage in comparison with larger rivals. The smaller the retailer is, the higher the cost of unit pricing will be in relation to sales.

S. 997 provides an exemption for a retail store with total annual sales of $250,000 or less; provided: First, the store is not substantially owned by a firm with annual sales of more than $500,000; and second, the store's inventory is not substantially supplied by a firm with annual sales of more than $500,000. No definition is provided for the term "substantial."

In any event, it is our judgment that a large percentage of independent retail grocers buy a "substantial" part of their merchandise from a wholesale grocer whose sales exceed $500,000. Virtually all independent grocers affiliated with a wholesaler-sponsored voluntary group, or operating as a member of a retailer-owned cooperative, receive a "substantial" part of their merchandise from a firm with gross annual sales of more than $500,000.

We estimate that mandatory price marking and unit pricing every packaged consumer commodity, as provided in S. 997, would apply to at least 100,000 independent grocers responsible for at least 90 percent of total annual retail grocery store sales by independent operators.

A frequent response to the objection that making unit pricing legally mandatory disregards the fact that many retail grocers do not have

the computers and the personnel to supply their anticipated need for unit pricing tags and labels is that wholesale grocers will take care of such needs. However, the validity of this solution depends on whether there are sufficient wholesale grocers in the country with the necessary computers and resources to provide retail grocers with all the unit pricing tags and labels they will need on a current basis. A second assumption is that such a unit pricing service will be made available to all retail grocers on reasonable and realistic terms and conditions.

Now, it should be asked what factual basis is there for making these assumptions. There are no comprehensive experience-related studies published on the matter. The feasibility of wholesale grocers meeting the needs of retailers under an extensive unit pricing system made mandatory by Federal registration is unknown. We do not know whether, or to what extent, a workable unit pricing supply system from wholesaler to retailer on the scale called for by S. 997 is obtainable. We do not know what the cost of such service would be to wholesalers in acquiring new equipment and personnel, and to retailers purchasing and posting the necessary unit pricing labels and tags.

The 1972 Census of Wholesale Trade shows 29,910 grocery wholesalers in the United States. Over 90 percent of these specialize in a commodity such as meat, fresh frozen foods, and dairy. However, the critical point here is that many questions require factual answers based on careful study before S. 997 can be considered intelligently. Basic facts and figures are needed to test the underlying assumptions of this proposed legislation, as well as the cost and consequences which would follow enactment.

Early this year, the GAO submitted a report to Congress on unit pricing. In our view, this report does not contain sufficient data and information to warrant passage of the proposed legislation. Our reasons are as follows: One, the only study on the cost of unit pricing in independent stores referred to in the General Accounting Office report was conducted about 5 years ago. At that time, as the GAO report notes, "no independent stores were known to have unit pricing." The cost data for independents was not based on any actual experience. A system of estimates was devised for the report.

Two, the study's cost estimates were based on unit pricing only 80 percent of grocery and frozen food items stocked in stores surveyed.

Three, the study's cost of unit pricing in affiliated independent supermarkets and superettes was based on the assumption that all such stores would receive complete unit pricing assistance from their primary wholesalers similar to that provided by corporate chain headquarters.

Four, the study makes the general conclusion that the cost of unit pricing would be substantial. It also suggests the desirability that items unit priced be kept at a minimum consistent with benefits to consumers.

Five, the study concluded that the total cost of unit pricing could be considerably higher should it be necessary to establish an extensive system for enforcing regulations.

We conclude this testimony by urging support for two basic principles. One, let the market system in grocery distribution work by offering as many choices to consumers as possible whether it be item price marking, unit pricing, or some other merchandising practice.

Second, do not legislate impediments or penalties against improvements in our capacity to produce and distribute goods and services more efficiently. UPC holds promise of bringing about as many benefits for consumers in grocery retailing as self-service has done for the last 50 years. Do not erect barriers to greater progress and productivity in this industry.

I wish to thank you for allowing us to appear and present this statement.

Senator Moss. Thank you for your statement. We are glad to have you appear and give your views on the legislation before us.

You oppose a Federal law requiring that stores provide unit pricing and indicate that this is an improper system. Are you aware that we do require price on the gasoline pump and we require the price to be on an automobile? Is that improper? Should that come off, too?

Mr. JOHNSON. No. I don't think that is improper. But I feel the customer ought to have the right to decide whether she should make a saving in her food buying, whether by going to a store which gives her a savings by not putting the prices on the items or whether she should go to a store that has a unit pricing and where she would possibly pay a higher price. She should have that right to decide.

Senator Moss. But isn't choice controlled largely by location? If the shopper has to go a longer distance to get to the store with a price mark than one close at hand? Isn't that what mostly determines her selection?

Mr. JOHNSON. I am sure that determines it, and I can only speak from the area I come from. In Salt Lake City she has that alternative now and she doesn't have to go great distances to receive those alternatives. I have a store right across the street from me who unit prices. My customers have that alternative.

Senator Moss. In your case it does work out. She has a simple choice of which store she wants. But I wonder how many customers have that alternative. In other words, I think a customer is pretty well forced into taking what the store has. Isn't that so?

Mr. JOHNSON. I don't believe that. I think the customer has a choice. Now, I can't really speak for some areas. Maybe in some of the rural areas in the country, maybe they don't have a large store that is presently unit pricing. But she still has the opportunity, most of the time, to choose between one store and the other and whether she should make a savings or not. And I think that choice is still available to her.

Senator Moss. You say that this law does unnecessarily add to the cost of operation of a store. Do you have any idea how much it would add to your operation?

Mr. JOHNSON. I don't have any facts or figures. I do know that there would be a substantial increase in my operating costs if I had to item price every single item that comes into my store. If I had to item price every package of gum, every package of Kool-Aid. If I had to sit down and figure out the unit pricing, the unit price on every single item I had in the store, the cost would be very substantial.

Senator Moss. Well, you addressed yourself to the exemption that we suggested in the bill for stores that would not be required to have unit pricing requirements. And you indicated that that still would take in most of them. Do you have any alternative definition of those who ought to have an exemption from unit pricing? Is there a break-

ing point here or a definition where we can get some of them out from under and still have the large retail outlets controlled?

Mr. JOHNSON. Could I defer that question to Mr. Alder?

Senator Moss. Sure.

Mr. ALDER. Senator, I don't know what that magic point is where one should be exempted or shouldn't be exempted. You wondered earlier if the consumer has the choice throughout the country. The largest chain in the country which tends to get into many of the rural areas offers unit pricing as such. And consequently, the consumer does have that choice within a reasonably close proximity to the marketing area.

But I don't see how you can determine just what an exemptive figure should be. Even to be classified now as a supermarket it is generally accepted in the industry you must be doing $1 million a year. Your small convenience stores which are very prevalent in our area, many of them are doing over $250,000 per year. With inflation eating away at our base here, this is just naturally going to be consumed.

If we went to $250,000 or $500,000, it wouldn't be long before our stores are covered in that category anyway.

Senator Moss. On this competitive factor I understand that it costs about $100,000 to install computerassisted checkout systems in an average-size supermarket. Do you anticipate that such systems would be within the economic reach of the average independent retail grocer?

Mr. JOHNSON. I can't answer that. I don't know what an average retail grocer is. But I do know there are many independents today who are competing head to head with the larger supermarket.

And I do believe that many independents will be able to provide this service for their consumers down the road. It might take a little while, but I think that will be available to them.

Senator Moss. You point out that S. 997 would require retailers to price mark many products that are not now so marked. If Congress were to enact this legislation, an amendment would be offered exempting certain items from price-marking requirements or allowing additional percentage of the items in the store to be exempted from price-marking requirements, would you think that would be a desirable amendment?

Mr. JOHNSON. I really don't. I think the customers ought to have the right to choose. They ought to have a right to go into a grocery store and still make the savings, that do not item price. And if the legislation is passed even if there are some items in the store that we would be exempted from, I still think those grocers—for example, a grocer who considers himself a wholesale operation, he does not item price any items in his store because there is a definite savings that he passes on to his customers. And if this law is passed certainly he will be hurt by this and certainly the consumer will be hurt by it because there will not be that savings available.

Senator Moss. How does a consumer know whether he is getting a lower price, that he is saving, if he doesn't see on the package the cost he is going to pay? If you are going to have competitive shopping in order for him to get the best price he can, doesn't he have to have the data right there to see it?

Mr. JOHNSON. No. 1, that customer does have the data on the sale receipt. She also has the data on the shelf tag itself. And I think this is a good way, as far as comparison shopping is concerned. She can

take that receipt into the competitors and check that against your competitor. And she has a definite advantage this way. I am not sure I answered that question.

Senator Moss. Well, of course, she gets a cash register receipt. And if she can relate all those numbers to the proper item she would know sometime later at home whether what she did was the right thing. And she might develop either an affinity for your store or against your store depending on what her conclusion was. But right at the time of purchase, how is she going to know that?

Mr. ALDER. I am sorry, Senator, my mind was trying to get back to a point you were discussing earlier. Maybe I can touch on that.

Senator Moss. All right.

Mr. ALDER. In our area we have stores that do not mark any prices in their store. Esther Peterson, whom you are acquainted with, was at our State meeting a couple of months back. After that meeting, I took her to several stores around the city because she wanted to see what was going on. And we got into two of these warehouse-type operations. And Esther spent a lot of time questioning consumers in the stores shopping. She said, "Do you need these prices marked?"

And the consumers—it was amazing, the loyalty, that the consumers reflected to her, that they knew they were getting lower prices.

And if you were to actually shop those stores comparatively, you would find that they are running about 8 percent lower on their overall pricing structure, than a conventional-type grocery store.

And so the customers—coming back to what Mr. Johnson said before, the customers will be able to make that choice. With this type of legislation it would actually force these grocers out of business or to change their merchandising practices, 180° turnaround.

Senator Moss. These warehouse-type stores, don't they normally sell by case, rather than the individual items?

Mr. ALDER. No. You may go in there and take two cans out of a case or four cans or whatever. But the label is marked on the container or the case on the shelf or on a shelf label. I have had several inquiries from some of these grocers in the area, and they are very concerned about this as to what this will do to them as independent store operators.

Senator Moss. You would think there ought to be an exemption at least for the warehouse-type stores.

Mr. ALDER. I would go a step further than that. I think I would say, let's give them that choice. Those grocers with the sophisticated equipment that can do without the item pricing, let them do that if that is what they want. And if the consumers are willing to rely on the grocer's integrity, let them go to that store or the warehouse-type store or the conventional-type store. So that she has the choices.

Another comment is out in the area of Utah we have many rural areas. But with the advent of freeways and this type of thing, we are finding more and more central shopping areas, where the outlying communities are driving into the more heavily populated areas to do their shopping, which gives them the choices that we are all concerned about.

Senator Moss. The objection is voiced about having a Federal law on this matter, but, if it were left to the States and communities,

wouldn't that lead to more complexity? If you had all 50 State laws to be concerned about?

Mr. JOHNSON. I don't believe so. I believe that if we had to do it with just State regulation, we could compete with that. We have a voice. We can talk to the State people and we can work with them.

Where, on the Federal level, we don't have that voice like we had on the State level. And I think this should be left to the States so we can compete there.

Senator Moss. The witness that was here before you operates in three different States. So he has a different problem from what you would have. And he indicated that it would be better for him to have one single set of rules to deal with rather than three different kinds.

Mr. ALDER. I believe those grocers that have the sophistication and the equipment and the home office staff, so to speak, have the accountants, and so forth, it is easy for them. They can adapt to various State legislation or rules and requirements. They have to do that now in many areas if they are operating in more than one State. And Mr. Johnson operates three stores within the State of Utah. And we are very active in providing input into legislative matters in Utah. We know them. The grocers know them from community to community; and while we know you and we appreciate that fact, it is very difficult for us to make contact with anyone on the national level other than with you because you are our Senator.

But it is very frustrating sometimes in trying to feel: Are we being heard?

Whereas, at the local level it isn't quite that same story.

Senator Moss. I agree with that point. If there is a need to be in contact with the regulator it is difficult if it is remote in a regional office or back in Washington.

But other than a possible violation I don't know that there would be much negotiation. If this became law, you would simply have to mark the prices on the groceries. As long as you did that, there shouldn't be any reason for negotiation.

I have great sympathy for that remoteness when it is frustrating to not be able to get in touch.

Mr. ADLER. I might mention an attitude that is becoming more prevalent.

Most of your chains would recognize that fact of this remoteness. We are having a real problem in competing with the Federal Government. And the independent grocer, he is a hardy character and he will survive in competition with competition. But when we deal with the Federal Government it gets tough.

Senator Moss. It may be that some of the larger chains like the preemption idea and I can understand that. When you operate within the boundaries of one jurisdiction it doesn't have that advantage. And it may be somewhat of a disadvantage.

Well, thank you very much. I appreciate your viewpoints and I assure you we will look at them very carefully in considering this matter.

Mr. JOHNSON. Thank you.

Senator Moss. Our next witnesses are Joseph B. Danzansky, President of Giant Food, Inc., here in Washington, and Clyde L. Dawson, director of the Research and Development Department of Marsh Supermarkets.

Mr. Danzansky.

STATEMENTS OF JOSEPH B. DANZANSKY, PRESIDENT, GIANT FOOD, INC.; AND CLYDE L. DAWSON, DIRECTOR OF THE RESEARCH AND DEVELOPMENT DEPARTMENT, MARSH SUPERMARKETS

Mr. DANZANSKY. Thank you, Mr. Chairman.

Dostoyevsky once wrote, "Taking a new step, uttering a new word, is what people fear most."

No one really likes that which is new. It forces us to change, to question the way we have been doing things, to substitute the comfortable and the familiar for the unknown and perhaps the unpleasant. And, the more unhappy and insecure people are, the greater the resistance to change and to the possible multiplication of unhappiness.

The advent of the computer-assisted checkout is something new, different from the other changes that have been taking place in the marketplace over the years. Most of the other changes—larger stores, greater selection, new methods of merchandise presentation, have been advances along a familiar line and were accepted if not welcomed. The computer-assisted checkout, however, has caused a wrench in our perceptions. People fear that which they do not know.

This was vividly demonstrated for us last week when we tabulated 1,105 customer comment cards that had been filled out by our customers and sent to our office. These cards came from the two stores with the computer-assisted checkout system, as well as from the other Giant stores which do not have the system.

In those stores where customers had not been exposed to the computer-assisted checkout, only 29 percent were favorable toward the system, while 62 percent wanted individual item pricing.

In the Glen Burnie store, where the system is in operation with prices on, 93 percent liked the system and 32 percent wanted to keep individual item pricing.

In the Severna Park store, where the system is operating with prices off, 85 percent liked the system and only 25 percent wanted item pricing.

The potential removal of prices has only become a rallying cry because most people have never shopped in a computer-assisted checkout store. If the Congress were to act now on the basis of this widespread misinformation, I respectfully submit that you might very well be acting to burden the American consumer with unnecessarily high prices, less efficient service, and a less productive food distribution system. No one would really benefit from such a development.

I am not here today to tell you that price removal is the way our company will ultimately go. We do not know yet. At present, we have one new store with computer-assisted checkout with prices off, and an identical store with prices on. One store has been open only since February, and the other only since July. Last month, we converted an existing store, and left prices on. Next week, we will open a new store in Richmond, Va., with the next system, and prices will also be on.

We do not come today to ask you to decide whether prices should be on or off. We are here to ask that you refrain from aborting a testing process that may ultimately provide greater benefits for the American people.

At Giant, we are carefully testing and monitoring the new system from every angle, including the price-marking issue, with ongoing input from consumers.

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The industry as a whole has commissioned a major study by Michigan State University to find the answers to many of the legitimate questions posed by customers, and consumer leaders are having a continuing input into that study.

Many proponents of legislation have quoted industry figures to prove that benefits to consumers will be only about a quarter of the projected savings, and that these savings can therefore be sacrificed in favor of mandatory price marking. Please remember that the figures quoted are only guesses. The purpose of the testing that is now going on is to demonstrate whether in fact those estimates are accurate.

Before we opened our Severna Park store, we brainstormed the potential with our suppliers, the IBM company. We arrived at some projections of potential savings by studying methods and productivity at an existing Giant store back in the fall of 1973 and making some assumptions and extrapolations.

Given these caveats, we originally estimated our potential savings at about $10,000 per month per Giant store. Of this, we estimated elimination of price marking could amount to perhaps 18½ percent of total projected savings.

But as we told all of the people who were looking over our shoulder—consumers, media, legislators, labor, and our colleagues—we were testing.

While it is most too soon to release any test results at this time, I do feel confident in telling you that so far, our projections have proved to be considerably off the mark. We will know a lot more in about 6 months. And, we are pledged to share the results of our tests with government, with consumers, with labor, and with the general public.

There is, of course, legitimate concern over the impact of such a new system on the jobs of our people. We know there will be changes. The test is whether we, as a society, can test new and better methods and still maintain employment. There are no easy answers to this challenge.

We do believe that our checkers and our stock clerks have a right to job security. That is why we gladly negotiated a contract with the Retail Clerks Union guaranteeing that none of the members of our staff yould lose jobs because of the computer-assisted checkout. So jobs for people who now have jobs are really not an issue here.

The issues are twofold:

First, should we be allowed to test a system that knowledgeable people believe can increase productivity, improve service and help to moderate the rise in food prices?

The second issue is whether, under the system now being tested, the consumer will have adequate price information.

Let me assure you that we are absolutely committed to the consumer's right to know the price of each item at the point of purchase. The consumer also has the right to be able to compare prices while shopping. The consumer has the right to know the prices as they are being rung up at the cash register. And the consumer has the right to know the price of each item at home. We would never even consider price removal from the individual items unless we were confident that these rights were being protected and safeguarded. To insure these rights, we have built several features into our new system.

The most significant, tangible improvement is the new register tape, a copy of which is attached to this testimony. The new tape includes

an understandable description of each item; the price of each item; whether the item is taxable; a record of credits and store coupons; a record of the total tax; the amount tendered; food stamps due and paid; and the change due the customer. The tape also shows the date, time, store number and checkout lane for the customer's transaction—none of which they get today. Customers thus have a receipt tape they can use in budgeting and in keeping household records.

Now, if they so choose, they can keep track of how prices vary from week to week, and they can circle an item on the tape and check back weeks—or even months—to see the price history of the products they buy. Parenthetically, they can now go next door to our competitor and see how our prices compare.

Another improvement is the new unit price label, a copy of which is also attached to my testimony. We learned from our consumer advisory group that the unit price labels we were using could stand improvement in terms of readability and reliability. Our new label program is now in effect and I think it's the best one anywhere.

In stores with the new computer checkout system, we are building in fail-safe procedures which eliminate errors as far as it is humanly possible to do so. The system is far more errorproof than price marking. There is no shelf drift under our system. No price changes are allowed unless the unit price label has been changed first. All prices are changed from our headquarters' computer overnight. Store personnel do not have the capability of raising prices at store level.

As for other trade-offs, we hope that the system will prove to be quicker, more accurate, and will help to provide better service through personnel scheduling and inventory control—we're testing to find out. These are improvements which would benefit both Giant and the consumer.

If the system does result in meaningful dollar savings, those savings will be shared. Perhaps the consumer will receive the benefit and convenience of more service departments, which will also create more job opportunities. Perhaps the savings will come in the form of lower prices. Undoubtedly the system will result in faster service at the checkout. In all probability, if the tests are successful, the result will be a combination of these benefits.

An important observation should be made about the proposed bill. It is drafted on the erroneous assumption that all items in food stores today are price stamped.

Traditionally, supermarkets have had a list of items that were unmarked, such as baby food, Jello, milk, eggs, gum, and mints, et cetera, because several flavors of one type of item sell for the same price. The list differs from company to company. Individual bulk produce items are not price marked today and most consumers prefer bulk rather than prepackaged produce.

This legislation would compel us to either stamp every orange or convert to prepackaged produce. To require such marking of all these items would immediately add substantially to the labor cost of all supermarkets, again, fueling the rise in food prices.

After weighing the cost of duplicate marking, a retailer may or may not decide to maintain price marking. A good analogy is the old-fashioned, cut-to-order meat department. All food chains once used this system. Then, about 25 years ago, self-service meat came along,

offering better service at a lower cost. While most of the industry adopted this system, the old service system is still used in some areas where consumers still prefer it and are willing to pay the higher costs. The same thing will happen if some shoppers still prefer the more costly system of price marking.

I think we have an obligation to test both ways. To do otherwise seems to be an abdication of our responsibilities to the public.

The need for duplicate marking has yet to be demonstrated by field testing, and more time is needed to evaluate consumer reaction and acceptance. Mandating price marking could possibly slow down the adoption of these systems by food companies, thereby delaying the substantial benefits of productivity improvement, increased accuracy, and improved customer service. Furthermore, if price marking is, in fact, not considered essential by consumers, requiring it would add significantly and unnecessarily to the cost of food distribution.

The ultimate decision is in the hands of the shopper, not the food retailer, and the Government should not deprive the consumer of the right to make that decision.

We are a great Nation. Most of our greatness has resulted from God-given abundance, but most of the credit must go to those few bold spirits who were willing to take a risk, to try something new, to stride fearlessly into the unknown. The enormous agricultural abundance we enjoy results in great measure from the judicious application of new technology.

Where would we be today if Congress had legislated hobbling restrictions on the reaper and the combine, the tractor and the gang plow? How much would Americans be paying for food today if supermarkets had been outlawed during the antichain movement in the 1930's?

I think it is well to remember that when Giant opened its first store, which was here in Washington in 1936, the percentage of disposable income spent on food was 23.1 percent, according to USDA figures. For the second quarter of 1975, the figure was 16.6 percent. In 1973, before inflation took its toll of the food industry, the figure had been down to 15.7 percent.

Had opposition to the advent of the supermarket prevailed in the 1930's, Americans today would in all likelihood be paying nearly a quarter of their income for food instead of 16 percent.

I don't think we want to look back a generation from now to missed opportunities that could have kept the percentage of income spent for food from rising back toward 1936 levels.

The computer-assisted checkout is the first great advance in productivity to come along in at least a generation, and to shackle it before it has been tested thoroughly would be a great injustice to the American people.

Today, the single greatest expense in the supermarket industry is the cost of marking and handling products. The most important contribution food retailers can make to the stabilization of food prices is to upgrade those systems and reduce those costs. That's the reason we are experimenting with the computer-assisted checkout, and we ask your indulgence, if not your active encouragement and support.

Senator Moss. Thank you very much, Mr. Danzansky. That is a very fine statement.

I have been aware of the stores that you have and I am interested in having you explain how you are trying to measure results.

I would like to call on Mr. Dawson and then have questions directed to either witness; and some may be answered by other testimony.

And so, Mr. Clyde L. Dawson, who is director of the research and development department of Marsh Supermarkets.

Mr. DAWSON. Thank you, Senator Moss.

Marsh Supermarkets, Inc., is a company whose principal business is the distribution of food, nonfoods, drugs, and drug-related items at retail. Marsh Supermarkets, Inc., is a company comprised of 4 distribution centers and 145 retail outlets. The retail outlets consist of supermarkets, convenience-type grocery stores, and drugstores, located in Ohio and Indiana.

This statement is offered to you in opposition to the impending S. 997. It is admirable to be aware of consumer needs and protective of consumer rights where and when such protection is needed. It is the opinion of Marsh Supermarkets that S. 997 is premature, and if such a bill were to be enacted into law, would not only restrict the retail food industry in its endeavor to seek out new methods of cost control, but it would result in higher retail prices to the consumer.

The food industry today, along with all industries, is having to meet with higher costs in raw materials, finished products, labor, and energy. If we as an industry are going to be able to help stem inflationary trends, we must be permitted to experiment without the type of restrictive legislation associated with S. 997.

In an endeavor to seek out new and better methods, Marsh Supermarkets, in conjunction with the National Cash Register Co., installed the first full store computer assisted scanning front-end system making use of the Universal Product Code. This installation was undertaken as an engineering test to determine whether this type of equipment would function in a supermarket's normal operating environment. Additionally, it had to be determined if there would be any problems of compatibility with existing equipment; and, how would consumers and employees react to this new method of checkout service. This installation took place on June 26, 1974, in Troy, Ohio.

There was no intent to determine return on investment or the effect on productivity. The supposition was, if the equipment would function as designed, increased productivity would result.

Prior to the installation date, we held meetings with our employees and a consumer group to inform them of the coming changes, and to seek their input. Two weeks prior to the actual startup date, handouts were given to every customer and an audiovisual display was provided in an attempt to reach as many people as possible. At the startup and for days after, representatives of both Marsh and NCR were available for personal contact with employees and consumers alike.

From the beginning the scanning system was accepted well by both consumers and employees. To determine this, several surveys were conducted from June through November 1974. Several questions, relating to the new system, were asked and personal comments solicited. An overall evaluation of those surveys indicated that 99 percent of the people were satisfied with the new methods. Speed, accuracy, and the descriptive receipt were the high points of the comments.

In December 1974, it had been determined that the engineering segment of the test was nearing a successful completion. There remained a question of consumer acceptance of such an operation if there were no prices placed upon every item. It was decided at that time to continue the test until such time as necessary to determine either consumer acceptance or rejection of buying merchandise without prices on the individual items. I would like to state that there are several product categories carried in the store that had never been individually price marked, and there have never been complaints by our customers about insufficient price information.

It was very apparent that it would be mandatory to provide a method of insuring the customer a way to relate to the price of an item. We as a company had previously instituted a unit price shelf labeling program in our supermarkets, however, we felt the quality of the label, the printing and mobility would not suffice for the program we wished to undertake.

After diligent research we were able to produce a shelf label that satisfied our specifications and which we thought would offer our customers good identity to both price and product.

Once again, we prepared handouts and an audiovisual presentation to inform our customers of our intent, and to explain the new unit price shelf label. In the latter part of May as we began removing prices. category by category, we prepared a different type handout to explain what we were doing and asking our customers to offer their comments about price removal.

We completed removing prices from all grocery items by the second week of June, and were very pleased with the responses of our customers. There have been approximately 24 statements of disapproval of varying degrees and 6 of these 24 said that they would shop elsewhere if we continued the practice of not pricing groceries. And, that's the way the marketplace should operate.

Not being satisfied with this lack of response, we once more used personal survey teams to determine the customer's feelings about price removal. We performed two separate surveys and the results were nearly identical. The surveys were conducted in July and September of this year, and the questions and results are as follows:

1. Are the new shelf prices easy to read? Yes, 75 percent. No. 25 percent.

2. Do you understand unit pricing? Yes, 75 percent. No, 25 percent.

3. Do you use unit pricing? July: Yes, 77 percent. No, 23 percent. September: Yes, 82 percent. No, 18 percent.

8. Would you prefer that price marks be put back on the items, or do you feel you can get along without them?

Back on: July, 54 percent; September, 57 percent.

OK as they are: July, 46 percent; September, 43 percent.

9. Of the ones who wanted prices back on: How would you feel about leaving prices off individual items if the store could demonstrate tangible price price savings because of not having to mark the individual items?

A. Any savings: July, 27 percent; September, 32 percent.

B. Some savings: July, 32 percent; September, 22 percent.

C. Very large savings: July, 16 percent; September, 21 percent.

D. Prices must be put back on: July, 25 percent; September, 25 percent.

I felt that this survey indicates that our customers would not object to buying items without prices if we are able to provide some savings to them. Probably the best indicator of customer acceptance or rejection can best be demonstrated by the increased business we have enjoyed at our Troy, Ohio, store.

In our Troy store, we process approximately 4,500 cases of groceries weekly, the pricing function represents $119.79; the repricing on an average would cost $34.30; a total of $154.09 weekly; or $8,012 yearly. However, it must be stressed, there are several items we would not consider in the pricing function. To illustrate, we sell aproximately 3,000 single packages of cigarettes per week in the store. If we were forced to price each package of cigarettes, it would require an additional $566.28 per year in labor and a limited amount of pricing supplies. Who will pay for the pricing of those cigarettes? Most assuredly if we are forced to add additional work to our operations, the increased labor will result in higher prices.

There are more than 50,000 supermarkets in the United States and of these, 37 are now making use of scanning systems and only 3 are operating without prices on products. Three supermarkets are representative of the total food industry, nor for that matter does one supermarket in Troy, Ohio, establish policy for Marsh Supermarkets, Inc.

It has been demonstrated in the past that as supermarkets learn to operate more efficiently, competition will dictate that consumers will share in the benefits.

The food industry is dedicated to serving the consumer. The variety of products available is unparalleled in history and the average American family spends a much smaller part of the take-home pay for food than families in any other part of the world.

Operating under the free enterprise system, businesses have been motivated by the desire to create products and services that will meet public acceptance and also return a fair profit. The opportunity for profits has inspired companies to increase efficiency and improve products. It is through these profits that the food industry has been able to expand and provide the abundance Americans enjoy.

The source of all profits, and the final controller of the food industry, is the consumer. It is the consumer's freedom of choice which determines the products needed and wanted and the price that will be paid.

The consumer's control over the food industry can be compared with an election, with a continuous campaign going on, with votes being cast and tabulated daily. The consumer casts a ballot every time he or she decides to shop at your store or at a competitor's store.

Troy is a community of about 17,000 or 18,000 people, and in that relatively small shopping market, a customer can choose between Marsh, Kroger, Pangles, three strong independent companies, and numerous smaller stores.

And, if the attitudes of these Ohio customers were represented by the absolute positions being expressed here today by some consumer activists and union representatives, then Marsh could not effectively compete in Troy, Ohio.

But, yet, I repeat that we have had an increase in the number of customers, and that increase has been sustained over a 12-month period.

It is the opinion of many that the decision of whether items should or should not be individually priced should be determined in the marketplace by the consumer.

We in the food industry will always be aware of our customers' desires, for we cannot survive if we do not serve consumers and serve them well.

Senator Moss. Thank you, Mr. Dawson, for a very fine statement and we appreciate it.

I am sure my colleague from California, Senator Tunney, will have some questions. I unfortunately must leave now because I have to go to a conference and he will take over the remainder of the hearing.

I appreciate your doing that, Senator Tunney.

Senator TUNNEY. Thank you, Mr. Chairman.

I will ask that a copy of my statement be included in the record following Senator Moss' opening statement.[1]

Mr. Danzansky, I really appreciate the fact that you gave such a complete statement and I'm also aware of the fact that Giant Food is a great food retailer.

I think of it as being national because I shop there frequently and I assume it's nationwide. I will confess, though, in California I don't use it. Safeway is what I use there and Giant is here.

I do know that it is a fine store and I know you are sincerely interested in trying to cut prices. I understand that. And I also understand, however, as a person who frequently does shopping for himself, not on a daily basis or even on a weekly basis, but who frequently does shopping for himself, that I find the pricing system, the item pricing system, to be very helpful.

We were just catching up here, the staff and myself. As an example, several months ago I was in a store buying some canned tomatoes and I bought a brand which looked fine to me until I went to a different part of the store and found that another brand was selling for about 50 percent less. And I know that I would not have known what the difference was in price if I hadn't had the price stamped on the can.

I wouldn't have remembered, having gone from one part of the store to another part. And I think that I am probably pretty typical, pretty average, when it comes to the ability to remember one price in a myriad of different prices that you are confronted with when you are in the supermarket.

I look at the problem of item pricing and unit pricing as being two entirely different problems. I think that unit pricing is important only because of the fact that manufacturers put their product, products, into different size containers. And frankly, the container may be quite deceptive as it relates to the amount of the product that it contains.

But, you addressed yourself mainly to the item pricing. And I would like to ask you a few questions as it relates to item pricing. You state that only 25 percent of your patrons surveyed at Severna Park store wanted item pricing.

Would you expect these kinds of results from a survey of customers who decide to shop at that store. Isn't it possible that your results are skewed, inaccurate?

Mr. DANZANSKY. Well, I think there is a basic problem with surveys. I think we have surveyed this thing to a fare-the-well. We have

[1] See p. 2.

made some surveys, some of which are contradictory. Certain consumer organizations have made surveys. I am sure the suppliers have made their surveys. I know there was a survey taken by the Office of Consumer Affairs here in the District of Columbia which, as a matter of fact, far exceeded the expectations of our own surveys as far as consumer acceptance was concerned. I am not sure whether enough of them are completely accurate, to specifically answer your question.

But, the industry has retained, with the input of consumer organizations, Michigan State University, to make a real scientific test, of what the consumers' attitudes are, with reference primarily to price marking. And the results of that test will be made public.

I think the big key is that we are testing. And that process should not be aborted by legislation at this point in time.

Senator TUNNEY. This legislation would abort it?

Mr. DANZANSKY. I think it would abort it because it would already mandate that there would be no price marking when one of the things we are testing is whether or not consumers want price marking. This is an age of trade-offs.

Is it best to have our kind of register tape? Is it best to have our kind of unit price label? Is it best to have the kind of system that we hope this will become where we can share our savings with the consumer? Or is it best to accommodate your example of a can of tomatoes? Specifically with reference to your example, tomatoes are usually in the same section, and it should be relatively simple for you to check the price of one brand of tomatoes by just moving a few feet in either direction.

The problem really comes in, in the example you gave—and we worried about this—where perhaps the consumer might find, in the course of a shopping tour, that frozen corn, perhaps, was cheaper than canned corn. And in the course of that shopping tour they would not have that price on that can and they wouldn't be able to return it because they wouldn't know.

But we find in the few tests we have made that there are few if any examples of that activity today when all the prices are on. We would know pretty soon whether or not they were swapping cans for frozen because we would see a movement of the people back toward the canned section in putting the cans back. Or we would see a lot of cans around the frozen food section where shoppers had left them before they completed their shopping tour because they found something cheaper. And that has not happened.

So I think we have to go back to Dostoyevsky and say: We really are fearing something because it is new. And actually the tradeoffs and the prospective tradeoffs are just excellent.

Senator TUNNEY. Counsel had a statement or a question.

Mr. MERLIS. Along those lines, Mr. Danzansky, I have been through the Severna Park store, when it just opened. You spoke of the fear that consumers may have had, and yet in practice they are not picking items up at one point and leaving them in another location. Part of it may be that they don't recall the prices. Is that not true?

Mr. DANZANSKY. No. I was referring to existing stores where we have no computer-assisted checkouts. In existing stores we don't find that movement to return a product, nor do we find the cans resting at or near the frozen food counters. So the indication is that today the

person is not making that exchange. And that, again, we are fearing something that doesn't exist.

Mr. MERLIS. But it does exist in some parts of the store, where a comparable product can be found. For instance, in aisle one of the Severna Park store, I found eight different items which can be found in from two to seven different parts of the store. And if one were trying to compare, the problem would arise. You are suggesting that the problem doesn't arise in practice, the person knows more often than not what he is going to buy?

Mr. DANZANSKY. I don't think we set up that store any differently from our existing stores. So if the movement isn't present in our existing stores, I don't think it would happen there.

Incidentally, the analogy that Senator Moss made in connection with gasoline, posting of gasoline prices being mandatory, and automobile prices, I think there is a distinction between that and prices on cans. You would have maybe, at the most, in a gasoline station, four or five signs. And the prices are not changed that often. You would have 12,000 items in a foodstore, where the prices are changed in the hundreds each week. And I do think there is a substantial difference. And a difference in cost that the consumer would have to bear.

Senator TUNNEY. Mr. Dawson, what did you say that the savings were when you eliminate price marking? What was the savings?

Mr. DAWSON. I did not indicate a savings. I indicated costs associated with groceries in the story in Troy, Ohio. In our Troy store, we process approximately 4,500 cases of groceries weekly, which results in the pricing function and the repricing function of advertised items, that it costs up approximately $154.09 weekly.

Senator TUNNEY. What does that work out to go on a per customer basis?

Mr. DAWSON. When you figure the number of items processed and the number of items sold, it is very insignificant, less than a penny an item. What we are doing, and again this is a lot of supposition on our part, yet because we are not sure of all of our findings, that we could take the amount of labor dollars spent in a pricing function and probably convert that into a weekly sales item, where we could significantly offer a sales item at a different price.

But it would have no effect on an individual item.

Senator TUNNEY. One of the things that I have difficulty understanding where the truth lies, is the statements that have been made as a result of your surveys, that really people don't compare the prices of various items that are of a similar nature, based upon the cost that is affixed to that product and which allows people in different parts of the store to compare the price. And the statements I have heard from consumer groups that such comparative shopping does take place; and I must say that my own experience puts me on the side of the consumers in this area. I don't know if I am more informed or less informed, but I do make those kinds of comparisons.

Mr. DANZANSKY. I hope you do, Senator. And I think any of us would be terribly remiss if we advocated lack of price information for the consumer. I hope that nobody got that out of my testimony, because we are all for price information. And even when the customer doesn't care, she should care. I salute the consumer groups that want to make the consumer more price conscious. My own point is that

during this period of testing as to what the tradeoffs will be, as far as this new computer-assisted checkout and price marking are concerned, until the returns are in, there should not be legislation which conceivably could retard the progress of this whole thing.

Senator TUNNEY. But you are getting a lot of that legislation in other areas; aren't you? I understand there are three States and five municipalities which have already adopted price marking requirements and similar legislation has already passed one house in eight other States. I mean, when are these tests going to be concluded? And when will the results be in? And what is going to happen in the meantime in the way of a patchwork type of State legislation which for national stores creates, I would think, an anathema in having to change policies and procedures from State to State and municipality to municipality. If we had Federal legislation, there would be a preemption clause which would create a national system.

Now I have asked a number of questions in that statement of mine, but would you care to address any part of what I have suggested?

Mr. DANZANSKY. Yes, sir. Legislation in the States does create a problem. But so far there are only three States. And in eight others it has passed in one house. OK. So we have 50 States. It would be pitiful if every time a State made a mistake, that the Congress came in and preempted the State's right to legislate. I think that just because it is wrong in one State, we shouldn't perpetuate it by doing it nationally.

Now, it may well be that in a year or two, we will come back here with our hats in our hands, assuming the States have emotionally handled this issue, as the three States have up to this point. We may come back here and say, "Please legislate preemptively." If so, we would like for you to consider that. But I don't think you solve a problem by compounding it.

Senator TUNNEY. I understand that. But the other part of the issue that I was addressing was the personal experience that I have had, and the fact that consumer groups are saying that other people have had an experience like mine, where the price marking on the product is a substantial benefit in being able to make comparisons of prices. If you mandate, which I am opposed to, but if you mandated that every single supermarket, every grocery store, had to partition itself off so that every product in a particular line had to be sold in a section where you had different prices in that section, then I would agree that the comparison of costs would be easy. But when you move a product, a line of products, into maybe six or seven or eight different sections of the store, it is very difficult to remember what the price was back from where he was in the store, if 15 or 20 minutes have passed between the time that you have identified the price of one product as contrasted with another in the same line.

Mr. DANZANSKY. I am not familiar with the specific products where they have changed. It is our policy to try to keep them together. We may have goofed in the course of laying out our stores. And you can be assured we will take a look at it immediately. But I don't think that in itself is a reason. In other words, that can be corrected internally. I know it is an anathema to Senator Moss, according to his opening statement, to give a marking crayon to ask people to mark their own product. But if you go to Europe and you see all the work that the consumer does in Europe in order to keep prices down, and

they are still taking 25 to 30 percent of their disposable income, our American consumer wouldn't mind if she really wanted to know what the price of an article was from shelf to shelf, wouldn't mind putting a crayon mark on that product, if it was important. And the tradeoff there is this great register receipt where you have a perpetual accounting of what you paid on a certain date for a product which you don't have when that product is on your shelf, because you don't know when you bought it. And also you can take this register receipt into our competition. You can't take a can in there and compare and see who is selling it for less.

Senator TUNNEY. You always have the register receipt, even if you had individual price marking.

Mr. DANZANSKY. If the system was viable with legislation mandating price marking. I am not sure at this point in time that it is. I think it is; but I am not sure as to what the tradeoffs are. I think if this hearing were being held at this time next year, we would have educated opinions and educated polls and educated information on which to base a judgment.

Senator TUNNEY. With the universal product marking system, when you feed a product into the register where it is scanned and picked up, does the operator have to do any act or is it automatically picked up and put on the tape?

Mr. DANZANSKY. I will tell you how ours works. There is a little computer in every store. It is tied in with the prices of all the commodities in that store. At night the computer back at our central warehouse tells the computer at that store whatever the price changes might be for the next day. And that information is now stored in that store computer. At the same time that our home office computer is talking to the store computer, it is printing out a new unit price label with that price. That unit price label is then put in an envelope and delivered by messenger to that store in the course of the night. The unit price label is put on the shelf during the night.

"In the morning when the manager comes in, his first responsibility is to look at the printed sheet of the price changes, take that sheet of paper, go around the store to be sure that every unit price has been changed on the commodity, and then, only then, after he has checked that off his master sheet, does he have the right to press a button that says: "OK, Mr. Home Computer, we are accepting your new prices."

Senator TUNNEY. So the operator of the register doesn't do anything?

Mr. DANZANSKY. No. It is only the manager who has that responsibility.

Senator TUNNEY. So if you go to the UPC system, you are going to effectuate greater accuracy and timesavings, even if you required marking of the individual products, wouldn't you?

Mr. DANZANSKY. Yes. Even in our most glowing estimates, it never amounted to more than 25 percent of the total savings. In our instance, the original estimate was about 19 percent, and I don't know where it stands today. And nobody will know. But that is a sizable amount, assuming it was only $500 a week, per store. That would be $25,000 a store or $2.5 million just for our relatively small company. And if you start multiplying this around the Nation, you have a potential savings of $200 million to $300 million a year.

Now, I don't think that is to be taken lightly; and I am not sure that is the number. I want to make it very clear that I am not saying that is the number today. But that can be the number. And if it is, we shouldn't legislate against that number because the consumers of this Nation may want that tradeoff.

Senator TUNNEY. In one of your non-UPC stores how accurate is your shelf marking?

Mr. DANZANSKY. Right now, it is better, because we are using the same label that we were forced to use, as a result of conferences with the consumer groups that are counseling with us. We are now using them in our computer-assisted checkout stores. So it is good.

Senator TUNNEY. How accurate is your Severna Park store and how much more, if any, do you spend policing your shelf market there?

Mr. DANZANSKY. We don't have the numbers yet. I have some numbers, but to give them would just raise false hopes. I don't think the numbers are accurate enough to share today.

Senator TUNNEY. So, you don't know how much it would cost to insure 100-percent accuracy?

Mr. DANZANSKY. I don't think there is 100-percent accuracy at any time. The computer checkout is much more accurate with prices off than the price-marking stamp is, because that stamp smears and you have nothing but problems and much more human error today.

Senator TUNNEY. I can see how from the point of view of the owner of the store that UPC is better, no question in my mind about that. And I can see, even if you were required to keep a price marking on the individual products, by shifting to UPC you would still effectuate savings.

I have never felt that we should prevent you from going to a UPC system. But I do think that when you become a consumer, you are entitled to have that information when you go into a store.

And I will just wind this up with one other bit of experience. The other day, yesterday, as a matter of fact, I was in a chain drugstore, and I happened to notice that they were selling a brand of shampoo which was similar, it seemed to me at least, similar in every respect to a name brand. But because it bore the name of this particular chain drugstore, it was about 40 percent as expensive, and they were very clever in this particular chain store, because they made sure that the two packages were next to each other on the shelf with a big price marking on each, one, $2.40 and the other $0.80. And they made sure that the consumer could see that.

Well, it worked in my case. I thought I might as well try that other brand. It is cheaper.

Now, if they are pushing their own products by making sure that you have got that comparison, shelf comparison, and the item price affixed to the product, it leads me to believe that by dispersing products of the same line throughout the store, you are, in effect, achieving just the exact opposite, which is to confuse the consumer and make it difficult for the consumer to know what the comparative prices are.

Mr. DANZANSKY. Respectfully, I don't think there is a supermarket in the country that does not do precisely what the drugstore does, when you have private labels. We do it all the time. We will put

our private label products right next to the nationally advertised product with a glaring unit price comparison. But that, respectfully, does not address itself to the issue of item pricing, because you don't need it, unless it were dispersed through the store, which it is not.

That is bad merchandising.

Senator TUNNEY. If it is done in your Severna Park store—obviously, you are an expert, you are in business, you are making a profit and a lot of other supermarkets are in trouble. If you found that it was better, and if staff found you doing it there, there must be some reason for it.

Mr. DANZANSKY. I would like to know what items you are talking about. Could I know what items they were?

Senator TUNNEY. Why don't you talk to the staff later.

Mr. DANZANSKY. OK.

Senator TUNNEY. Mr. Danzansky, I have to leave in a few minutes, but I want to give these latter witnesses a chance to testify orally. Would you be prepared to answer a few questions in writing?

Mr. DANZANSKY. Oh, sure.

Senator TUNNEY. Mr. Dawson, would you do the same?

Mr. DAWSON. Sure.

Senator TUNNEY. Thank you.

Mr. DANZANSKY. Thank you.

Mr. DAWSON. Thank you.

Senator TUNNEY. James Housewright, international president, Retail Clerks International Association, Washington, D.C., accompanied by Walter Davis, special assistant to the president.

We are pleased to have you here.

STATEMENT OF JAMES HOUSEWRIGHT, INTERNATIONAL PRESIDENT, RETAIL CLERKS INTERNATIONAL ASSOCIATION, WASHINGTON, D.C.; ACCOMPANIED BY WALTER DAVIS, SPECIAL ASSISTANT TO THE PRESIDENT; AND JAY FOREMAN, COUNSEL

Mr. HOUSEWRIGHT. My name is James T. Housewright, and I am president of the Retail Clerks International Association, AFL–CIO, a labor union representing 700,000 members employed in all branches of the retail trade in the United States, Canada, and Puerto Rico. Some 400,000 of these members work in the retail food industry.

I am grateful for the opportunity to come before you today to testify in support of S. 997, which would require that prices be marked on retail goods.

Because of two dramatic developments—the adoption by the grocery industry of the Universal Product Code (UPC) and the advent of the electronic scanner-computer checkout system—it appears that within the next several years the retail industry will shift from a labor intensive industry to a capital intensive industry.

As a trade union that represents more than 700,000 employees, you can readily understand we would feel a real sense of concern about that prospect.

Are we concerned about loss of jobs for our members?

Of course we are. No trade union worthy of the name could feel otherwise.

But let me make this emphatically clear: Our union has never in its history opposed mechanization, automation, computerization, or any other form of technological advancement in our industry simply to preserve jobs.

We do not engage in and we do not support featherbedding practices. The language of our contract clearly bears this out.

We have not opposed the introduction of the UPC or the development of the computerized checkout stand, either through collective bargaining or otherwise.

Our international union is working with the joint labor-management committee of the retail food industry to protect the interests of our members in light of automation. We have also been very busy at the collective bargaining table hammering out new language to protect our members' interests.

But the fact is, job turnover in the retail industry runs at the very high rate of about 10 percent per month. Automation won't cause layoffs, but the work force will be reduced through attrition.

Our people won't lose their jobs. Jobs will just disappear.

Where a supermarket has 12 check stands before automating its front end, it will reduce the number of check stands to from 5 to 7.

Checkers will initially work fewer hours and, shortly, there will be fewer checkers.

Loss of jobs, however, is not our reason for supporting S. 997. Mandatory price marking would have but a marginal effect upon employment.

We support S. 997 because our people are union members and consumers. We feel a very serious obligation to represent them on both counts. And, we have a long tradition of doing just that.

As retail clerks, our members are particularly aware of such things as the unreliability of shelf prices, the attitudes of customers, the intense pressures on individual store managers to produce profits, and the clever manipulation and motivation of customers by refined advertising and merchandising techniques.

Our people personally know that shelf prices drift around in their slots and that they are frequently not updated to reflect changed prices, sometimes deliberately.

Our members know that customers use item price marking, not only for purposes of comparison shopping, but also to verify that they are charged the quoted price. Retail clerks know that under intense pressures to produce profits, store managers would be unbearably tempted to program increased prices into a computer to override the general, storewide price when sales are down in their store.

And, our members have seen, time after time, where customers complain to management about marketing methods—for example, precut, prepackaged fresh meat and prepackaged fruits and vegetables—to absolutely no avail.

It is our contention that consumers—as a matter of right—should be guaranteed that, in the quest for the last penny of profit, retail operations not be allowed to remove price marking from the items they sell. And we are literally discussing pennies, for the cost of price marking is but a small fraction of the total savings anticipated from the electronic front-end systems.

Because it is now technically feasible to eliminate item price marking, does not mean that it is prudent or proper.

Mandatory price marking will not deter the move to automated front ends.

How does the industry respond to the demand for mandatory price marking?

Well, you will hear two words repeated by industry spokesmen throughout these hearings. These words are "premature" and "experiment."

Well, I have a response—"bunk."

Automated front-end systems are here and their growth is inevitable. Millions of dollars have already been invested in their development and in the development and conversion to UPC.

The hard sell by the billion-dollar computer industry alone is almost irresistible. NCR, for example, is not only hard selling the retail industry, they are promoting the scanner-computer system in newspapers, as if it were a new deodorant bath soap.

In fact, a major concern of the Retail Clerks International Union is that, because of the hard sell and apprehension at falling behind, some retailers may move too fast and overextend themselves. The disastrous economic conditions that our Nation has experienced has already forced many retailers into bankruptcy. We have a great stake in avoiding still more bankruptcies.

The industry calls the introduction of the automated systems in some two dozens stores a test or experiment. It's not an experiment—it's a promotion. These promotions are conducted in especially clean and attractive stores, with a temporary superabundance of checkout stands. They are conducted in upper level income areas. They contain attractive working models showing the wonders—the electronic miracle—of the system. And, in most cases, item prices continue to be marked for the present.

Customers are queried as to how they like the new system. The responses, we are told, are positive. We are told by those committed to the new technology that even price marking, where it has been eliminated, isn't missed by many.

Even if these so-called experiments were conducted under typical supermarket conditions, the initial reaction of the beleaguered supermarket customer was likely to be a positive response to the sudden, unusual, seeming concern for their interests and to the novelty of the situation.

Even had these been bona fide experiments, we would not have been surprised at a genuinely positive reaction to the automated front-end systems.

There are real benefits.

Inventory control will be improved enormously. The register tapes will contain more information than heretofore. Underring and overring will be all but eliminated.

Checkout, once at the register, will be speedier.

But it won't be heaven for the shopper.

The new hardware and systems are very costly. Savings, to partially offset these enormous new costs will be made by cutting down on the number of check stands, and waiting time will be the same as in a conventional store.

While underring and overring errors will be virtually eliminated, computer programing errors will not.

And, while the new register tapes are an improvement, they are no substitute for item price marking to foster price consciousness and ready review of changing prices.

The Retail Clerks International Union has been aware of the development of the UPC and electronic front ends for several years. We have been addressing ourselves to the problems faced by our members, as all retail store workers, stemming from the new technology.

But the price marking issue is fundamentally a consumer issue. It was, I must confess, first brought to our attention by consumer representatives. We joined with those seeking price marking legislation substantially for the same reasons we have joined numerous other consumer protection efforts on behalf of our members.

On behalf of our members, we are pleased to support S. 997 and urge favorable action by this subcommittee and the Congress.

The electronic revolution is coming to the entire retail industry. It will have vast social and economic implications—many of them for the common good. But if we wait to see what the future holds in this area, we will lose the battle for a basic consumer right—the right to know and be able to verify the price of our purchases. S. 997 is a measure whose time has come.

This concludes my statement.

Now, with your permission and indulgence, I would like to present a member of my staff to make a somewhat more detailed statement and answer any technical questions you might have. He has been engaged in a comprehensive study of the electronic checkout system for the past several years and is in a position to supply you with some valuable insights—my special assistant, Walter L. Davis.

Thank you.

Senator TUNNEY. We are happy to have Mr. Davis with us.

And I want to thank you, Mr. Housewright, for an excellent statement.

Mr. DAVIS. What I would like to talk to you about this morning is the transaction tape, the register tape you receive when your purchase is completed at the checkout stand. In its literature and propaganda, the supermarket industry is fond of referring to it as the "detailed" register tape and boasts of what an improvement it is over the current type of tape which simply lists items as "Pro" for produce, "Gro" for grocery, "Del" for deli, "Mt" for meat, et cetera.

But how good is the tape, really? We were able to put together tapes from 8 of the 23 different computerized stores around the country. Four different equipment manufacturers were represented; IBM, which apparently has about two-thirds of the current market tied up; NCR, which ranks No. 2: Univac Accuscan; and Data General.

These first three tapes are from Wegman's Country Club Plaza, located in a suburb of Rochester, N.Y. The equipment is IBM 3660. This IBM tape is supposed to be the best of the lot. But it has very clear limitations. In the descriptive area on the left-hand side, there is room for only 12 spaces, either alpha or numeric. And in 12 spaces, there is not room enough to identify the product clearly and the brand name and size or quantity.

These two tapes are from Dominick's, located in Morton Grove, Ill. The equipment in this store is also IBM 3660.

Are these tapes an improvement over conventional tapes? Of course. But the detail is still missing. And the remarkable thing about these tapes again is that so few items are source marked. You'll notice that near the bottom of the first tape, on the far left side, "DP" indicates bottle deposit and "CP" indicates coupon. There will be further improvement in coupons when they are printed with a source mark on them.

Here's a third one. This is from Tri-City Grocery in Belleville, Ill. The equipment is IBM 3363, apparently a later model than the previous two installations.

These tapes are not unlike the previous one, but what got my attention is the fact that everything on both tapes is taxable—and at what appears to be nearly a 5-percent rate.

Senator TUNNEY. It says "grocery." What does that mean?

Mr. DAVIS. It means it was not source marked and that the cashier hand punched that. There was no symbol on that ticket. That is what I mean by it not being source marked. It didn't have a symbol. Therefore, it couldn't be read and, therefore, she punched up "grocery" in the price.

Senator TUNNEY. I see a lot of "grocery" and then a lot of "meats." So, the meat could be lamb chops or hamburger or anything?

Mr. DAVIS. It could be anything. When we get to 95-percent source marking, more of this information will be available. But we aren't at that point in history yet.

Now, let's understand we have talked about IBM tapes. Let's take a look at the second biggest supplier in the industry. This is the Marsh Supermarket that Mr. Dawson talked about. They have an NRC 255.

Now, if you take a look at that tape you will notice that on the left-hand side it goes through the same story about "pro," et cetera. Then on the right-hand side it describes the item. For example, in the center it says on the first item "$.52 Pringles," so we know that's Pringles. But there are only nine spaces of descriptive material on the tape. There isn't much to go on; and you can't get much in. You don't effectively get size and quantity on the tape.

For example, take the tape on the right-hand side. Right near the bottom it shows "gro," 31 cents, and then it's got DKR RD KID. I figured, after a long time, that had to be "dark red kidney beans." But that is a wild guess.

This tape is from Farmer Jack in Rochester, Mich. This store uses still another type of equipment, Univac Accuscan. There are only 12 spaces for alpha or numeric—not enough room to include brand name and the size or quantity. It's just not adequate.

Here is a pair of tapes from Brockton Public Markets located in Stoughton, Mass. The equipment is by Data General.

We believe these two tapes are the best of a very sorry lot. There are 14 spaces for alpha and numeric, so in a few places, it is possible to squeeze in size in addition to sufficient descriptive material to make the item easily identifiable.

These tapes are from Foodarama Shop Rite of Middletown, N.J. Equipment in this store is listed by the industry as being Univac Accuscan.

This tape is totally unlike the previous equipment by the same manufacturer at Farmer Jack's in Michigan. We checked with the store, and

found that it has such a piece of equipment on the premises, but it is used for demonstration purposes only.

This tape is from First National Stores in Brighton, Mass. The equipment here is NCR 255.

You'll notice that the tape is virtually illegible in the first place. But in the second place only 8 out of 39 items are source marked. Almost 80 percent of the items have no UPC symbol. Remember the industry rule? Eighty percent of the items must be source marked for the equipment to be economically viable. This one is just the opposite. Let's assume that this one tape is not representative of the entire program.

FINAST prints coupons on the back of the tape—and that's why you can hardly read it. On the one hand the industry says save the tapes—on the other hand, FINAST says cut them up, so you can use those coupons and get a free thermometer or 15 percent off slacks for men—or learn about burial insurance.

The final two tapes are from the Giant Food stores in both Severna Park and Glen Burnie, Md. The equipment at both stores is IBM 3660.

Let me make clear that neither of these tapes represent someone doing his or her regular food shopping. These are structured tapes, deliberately structured to make a point.

There is one very remarkable thing about the Glen Burnie tape. Notice down at the bottom that Giant managed to squeeze in size. Great. But very, very mystifying. Here are four of the eight different bottles of olives we purchased. If you study that list carefully, you simply must ask yourself the question: Why are 7 ounces of olives priced at both 99 cents and 85 cents? And why are 2 ounces of olives priced at 49 cents and 39 cents? Look at the labels of the two 7-ounce bottles. There is a difference in color of the label. Same thing goes for the 2-ounce jars. We studied this problem for a considerable period until it slowly dawned on us that you paid 14 cents more for one 7-ounce jar and 10 cents more for the 2-ounce jar because they were hand packed. But there's nothing on the label to tell you that.

In the final analysis, what the supermarket industry extols as a "detailed register tape" is really only a promotion—a ploy—a device to destroy the consumer's basic right to know. Not a single of the current register tapes available is satisfactory. Even if the identification area on the tape were expanded to 20 spaces of alpha and numeric, even if brand name, size, and quantity were all intelligibly spelled out, the tape would still not be the answer. With item pricing eliminated, the industry has demonstrated no system or device that effectively destroys the vacuum that exists from the time the consumer looks at the shelf marker until she tries to figure her tape out in the privacy of her home. There is a complete vacuum in which all kinds of foul play can be committed, and the vacuum will exist as long as the price is not on the package.

When we look around the country and make comparisons among the various chains, we conclude that the chain which has done the most to stand up for the rights of consumers is Giant Food of the Greater Washington area. The president of Giant Food, Joseph Danzansky, had the foresight and courage to employ the considerable talents of Esther Peterson, a veteran trade unionist and later the consumer adviser to President Johnson.

You may remember that in 1973, when beef prices had gone almost out of sight, Giant brought down the wrath of the entire industry on its head, when it bought full page ads throughout the Washington area and publicly urged consumers not to buy beef until the prices got back in line. Now, that took raw, unmitigated courage in the face of the hysteria that was gripping the industry at the time.

The company, Giant Food, its president, Joe Danzansky, its consumer adviser, Esther Peterson, all deserve praise for their leadership in consumer affairs.

Giant has devised a consumer bill of rights that is almost classic in its comprehensiveness and understanding. It says that the consumer has a right to safety, a right to be informed, a right to choose, a right to be heard, a right to redress, a right to service.

Those basic consumer rights are what this hearing is all about. The passage of S. 997 would simply guarantee the consumer right to be informed, right to choose, and right to service.

Thank you very much.

Senator TUNNEY. Thank you very much, Mr. Davis. I want to compliment both of you on excellent statements. And I think the detail of your research in this last statement, Mr. Davis, is really excellent. I think that puts it about as succinctly as anything could as to what the need is for this legislation. We certainly don't want to prevent technology from taking its place in the transitional sense in moving from one type of pricing system to another type of pricing system. But we want to protect the consumer. I was very impressed by your statement that you are not trying to prevent technology from coming along, in order to save jobs, although, obviously, you want to save as many of the jobs as you possibly can, of your union members. And you recognize that, even though your contracts are such that you are only going to see the jobs lost as a result of attrition. So it would not be future members. But they would be lost if there was an elimination of thousands and thousands of jobs.

But your opposition to the present methodology that is being followed by some supermarkets in wanting to eliminate pricing is based on your desire to see the consumer protected. And I think that is very important.

I just have a couple of questions. You heard me state that the three States that have passed legislation and five municipalities have passed legislation and the eight States where one house has passed legislation are indicative of a trend in the country. Would you care to suggest what your research has demonstrated with respect to activity at the State level in this area and what you think a Federal preemption would mean insofar as consistency is concerned throughout the country? Mr. Davis? Or Mr. Housewright?

Mr. HOUSEWRIGHT. Mr. Chairman, I think it would be better to have uniform law in this area. I believe that the development of the system, which I believe will benefit the industry and will eventually benefit the consumer, would be better served if we had national legislation, rather than piecemeal. I must confess that along with the consumer groups, our organization very strongly has supported and helped sponsor legislation in your State of California and other States. And we have worked very diligently to cause the passage of this type of legislation at the municipal level, where we could not generate the interests at the State legislature level.

And, Mr. Chairman, I wonder if you would also permit me to apologize to the Chair for not introducing to you my administrative assistant and special counsel, Jay Foreman. I would like the record to show that he also is appearing today.

Mr. DAVIS. Obviously, Federal legislation makes more sense. You have to recognize the fact that in many instances the jurisdictions of different divisions of food chains extend across State lines. There are four States, by the way, and there is a proliferation of municipal legislation.

Senator TUNNEY. Do you have any statement of the cost of price marking with an automatic check stand system?

Mr. DAVIS. We submitted additional material on that subject to the committee. I think I can summarize it briefly. If you talk about the entire savings that could be realized from the installation of the computerized checkout systems, what part of that would you lose if you kept the prices on? You are then talking in terms of what the industry says is 25 or 18 percent. It varies all over the lot. If I had been guessing, I would have guessed closer to 15 percent. But there have been two other people who have now spoken out on this one is a man by the name of Mr. Phillips Garvey-Labelmatic. I have submitted his documents. Obviously, this would appear to be self-serving. He shows a 6 percent figure, and he indicates that the cost of this per sale, at the check stand, would be less than a penny.

Now, Singer, one of the manufacturers, has indicated it is somewhere in the range of 5 to 9 percent. I would judge it is somewhere around that figure, and it is an inconsequential amount of money, really.

Senator TUNNEY. Counsel has a question.

Mr. MERLIS. In all of these figures, 15 percent or whatever, is there factored into that cost saving any increased cost which might exist because of the naturally occurring increased costs in reaching or striving for 100 percent shelf-marking accuracy?

In other words, is it possible it costs more to eliminate prices from the product, when you go to the highest possible level of accuracy on the shelf?

Mr. DAVIS. I would have to take a look. We think the stockmen, when you bring this down to what price marking really represents, they still have to go through all the other work. It doesn't make any difference. This is a very negligible amount of what the man does in the course of a workday.

Senator TUNNEY. Thank you so much. I want to compliment both of you on your statement.

Mr. HOUSEWRIGHT. Thank you.

Mr. DAVIS. Thank you.

Senator TUNNEY. Our next witness is Mrs. Ellen Haas, former president of the Maryland Citizens Consumer Council.

STATEMENT OF ELLEN HAAS, FORMER PRESIDENT, MARYLAND CITIZENS CONSUMER COUNCIL

Mrs. HAAS. The Maryland Citizens Consumer Council is a statewide grassroots, volunteer consumer organization with members in all counties across the State. It is affiliated with the Consumer Federation of America and the Conference of Consumer Organizations.

It is indeed a pleasure to have an opportunity to testify on this issue of immediate and critical concern to consumers, particularly in the State of Maryland.

We stand today at the crossroads of a controversy as to how the consumer is to be equipped in order to function efficiently in the marketplace. We urge that Congress reaffirm the consumer's right to full information. Passage of S. 997 would insure needed protection for consumers.

The need for easily used, readily available and pertinent information was never greater than it is today. Adequate tools are necessary for the consumer to perform efficiently in their continuing struggle of providing their families with a nutritious diet at a reasonable cost. Yet, despite these informational needs, and despite the present period of skyrocketing food prices, the industry has apparently turned its back on consumers, in their desire to maximize savings.

This controversial situation which sees the consumer and food retailers on opposite ends of the policy spectrum is a result of the introduction of the Universal Product Code and the new technology of the computer-assisted checkout system.

At the outset, let me underscore that we are neither opposed to the advancement of technology nor to the advent of the computer-assisted checkout system. Rather we share the food industry's enthusiasm that this technology, if developed with proper safeguards, could bring benefits to all who participate in the marketplace.

However, a close examination of the various issues raised by this new system is necessary so that we can better understand the problem. We have been face to face with the issues right here in Maryland.

To date, a local food chain, Giant Food, has opened three stores with this new equipment. After the decision to introduce the computer-assisted checkout system was made, a consumer advisory committee was formed. Two representatives from the Maryland Citizens Consumer Council, as well as representatives from the Virginia Citizen Consumers Council and other consumer organizations, were members of that committee.

After studying the subject and reviewing the potential consequences for the committee, all made their position clear. We recommended that when the new equipment was introduced, prices should not be removed from individual items.

In a letter dated August 8, 1975, to the companies consumer adviser, we stated:

> The UPC is a major consumer issue of national significance, and we cannot abdicate our responsibility to inform the public on this critical issue. It would be a serious disservice if consumer representatives were to remain quiet while UPC is moved into the marketplace without pricing on individual products and accompanied by massive and sophisticated industry publicity and without careful attention being paid to the many potential economic and social problems.

The verbal and written recommendation of those advisory committee members went unheeded. So too, the positions of Consumer Federation of America, the National Consumers League, the National Consumers Congress, and countless State and local organizations who advocated retention of individual price marking were not recognized.

Apparently, when it came to economic concerns, the industry's record of attentiveness to consumer needs has appeared to dissipate. Six months after the previously mentioned letter was written, the

first store in the State, one of only a few in the country, opened in Severna Park, Md., with the new technology—but without visible pricing.

The elimination of visible pricing by this retailer and others to follow, could be a reality for consumers across the country, as it is for those in this community if they were left unprotected.

This legislation, S. 997, is necessary for our Nation's consuming public in order to safeguard their right of being informed. In addition, this bill mandates that stores also unit price their products.

Senator TUNNEY. I am one-half hour late for a luncheon engagement now, and I did not anticipate that I would be chairing this hearing. But I am going to have to leave.

I have read your statement. I can come back at 2 o'clock if you would like to have me here. On the other hand, I have read your statement.

Counsel has several questions which we want to get on the record and have answered by you. He can ask those questions of you or I can ask them of you later on, whichever you choose.

But I don't want to appear to be rude. I hope I am not. As I said, I had no realization I was going to be chairing these hearings this morning. I am being very rude right now, but I am going to have to go.

Which would you prefer? Would you prefer to come back at 2 o'clock?

Mrs. HAAS. No. Perhaps, would it be possible for myself and Mr. Wegman, who is to follow, to appear on the next day's testimony?

Senator TUNNEY. Mr. Wegman has only 5 minutes, and he says that he has to catch a 2:30 p.m. flight. So I am going to ask counsel to have Mr. Wegman provide the 5 minutes of his testimony and ask him any questions which we want to ask.

Insofar as your being able to testify in the next day of hearings, I think that would be fine.

Mrs. HAAS. I would prefer to wait until the next time.

Senator TUNNEY. All right, fine.

Mr. Wegman, do you want to give your testimony now?

STATEMENT OF BOB WEGMAN, WEGMANS FOOD MARKETS, INC., ROCHESTER, N.Y., AND CHAIRMAN, AD HOC UPC PUBLIC POLICY COMMITTEE

Mr. WEGMAN. If you prefer, you could read my testimony and then just start with the questions. I will do whatever you wish.

Senator TUNNEY. Do you have your statement?

Mr. WEGMAN. Yes; you can read this in the future, if you wish.

Senator TUNNEY. Thank you.

Mr. Wegman, you heard testimony just a few minutes ago of Mr. Housewright and Mr. Davis, which indicated that, perhaps, the savings by eliminating price marking would be in the range of 6 percent on the low end to 25 percent on the high end.

What is your experience?

Mr. WEGMAN. Insofar as total percentage?

Senator TUNNEY. No. What I mean is: You are assuming you have the customer checkout. But assuming that you also have unit pricing.

Mr. WEGMAN. Let me tell you what it amounts to in our company. We estimate that the savings will vary between $10,000 and $30,000 per store per year.

Senator TUNNEY. That would mean how much per customer?

Mr. WEGMAN. 1 cent, when you figure the average item costs around 80 cents. But you have to remember that we don't even make 1 cent in profit. So this is a pretty substantial figure.

Senator TUNNEY. 1 cent?

Mr. WEGMAN. That is equivalent to our profit. Everybody is always concerned about the profit of the industry, and here we want to get them——

Senator TUNNEY. I think what the consumers are worried about, by not being able to effectively compare various values, that the customer will end up paying more, despite the fact that at the checkout stand he will have a slight savings, that the fact that he didn't make comparative choices before he got to the checkout stand would mean his total bill would be higher.

Mr. WEGMAN. Well, in my written presentation I said that we have done some studies on this since we became concerned about scanning. And we found that 7 out of every 10 customers that go through a conventional checkout stand are charged an incorrect price, 7 out of 10.

In our scanning operation we think that on all items we can obtain an almost zero factor of error. Now, that is assuming that our computer files are properly priced.

Senator TUNNEY. Well, I don't think that anybody has any problems with UPC. It is just the question of whether to eliminate the unit marking.

Mr. WEGMAN. I think the industry, as a whole, has shown their concern also. As I mentioned in my presentation, we are trying to conduct research. The interesting thing is we can't even find three companies in the whole country that will provide us the opportunity to conduct the research. We can't find any stores that have taken the prices off a substantial enough items. There are about five in the whole country. One is out in California, the Marsh Store, which was talked about this morning; a store in Detroit; the Giant Store in Maryland; Steinberg's in Canada. And we have, in one of our stores, removed prices on about 1,000 items. But other than that there is no substantial removal of prices anyplace.

I don't see prices being taken off in a wholesale way in the near future as far as I can see. And the only reason we are concerned about taking the prices off of some things such as advertised specials, when we are reducing 200 items in a given week and we price those and then on Saturday night we have to reprice them and we have two or three prices on the item, this customer gets confused when we are going up and down on 200 or 300 every week. And consequently it reaches a point where we got 1,000 items on our shelves with 2 different prices.

Senator TUNNEY. Well, you know, I wish that we could be sure that, in fact, those prices were going to stay on indefinitely into the future. Then it would obviate the need for legislation such as this.

Mr. WEGMAN. We would like to work with the consumer to solve our own problems. And we don't think we want to solve them through legislation.

Senator TUNNEY. Studies will be completed by March 1976?

Mr. WEGMAN. Yes; it is being conducted during the month of November and we will follow up with telephone interviews for the next 8 or 9 weeks.

Senator TUNNEY. We had Mr. Davis testify as to the results of a poll that was taken by a group up in New York.

Mr. WEGMAN. That is in our store. And we agree with Mr. Davis and that is why we are as concerned as he is about taking prices off.

We hope that we can decide as an industry whether it is a policy we should pursue. We may find as a result of the research that it is something we should get out of in a hurry. The research may indicate that to us.

Senator TUNNEY. I look at the problem being one of definition as well as one of substance. And so far as the definition of the problem is concerned, I see no reason whatsoever why UPC cannot be implemented irrespective of whether the Congress determines that there should be item pricing from now on idefinitely into the future until the Congress should change the law.

And I don't see how that affects UPC and the implementation of UPC when the greatest percentage of savings will be found elsewhere other than in the elimination of the item pricing.

Mr. WEGMAN. You do have a tendency to destroy the credibility of the system when you make as many errors as we do in pricing our products. So that what we find is that the consumer is always saying, "Well, your computer is wrong." The computer isn't wrong. The boy in the back room put the wrong price on the item. So the price on the item does not agree with the price charged at the terminal. So immediately the computer is suspect. In 99 out of 100 cases we have found the computer is accurate and is charging the right price and that the boy in the back room has put the incorrect price on the item.

Senator TUNNEY. I think that is probably true. But lest we forget the fact that when the computers go wrong as a result of human error or otherwise, they go wrong in a big way, and there is not a congressional office that has not been deluged recently by social security applicants who are not getting their payments on time because something has happened to the computers at the central dispensing office up here in Maryland.

And so these things can happen with machines as well, and particularly if human beings don't know how to use the machines. And when you make a mistake with the computer, the chances are that that mistake will have a greater impact upon the society than if you have an individual error. And the universe of that error is much smaller.

Mr. WEGMAN. Usually when that happens the whole system goes down and you can't work at all.

Senator TUNNEY. I think this UPC sounds like a very interesting, innovative idea. But that doesn't mean you can't have the item marked. And I feel it is important to have it.

I want to thank you very much, Mr. Wegman, for being here.

Mr. WEGMAN. Thank you.

[The statement follows:]

STATEMENT OF ROBERT WEGMAN, CHAIRMAN OF THE BOARD, WEGMANS FOOD MARKETS, INC., ROCHESTER, NEW YORK

Mr. Chairman:

I am Robert B. Wegman, Chairman of the Board of Wegmans Food Markets, Inc., a 31 store super market chain located in Rochester, New York. I am also currently Chairman of the Public Policy Subcommittee of the Ad Hoc Committee responsible for the development of the Universal Product Code.

In addressing you this morning I would like to limit my comments to that section of the bill having to do with mandatory item pricing.

I would like to start by pointing out that about one half of all sales in a typical super market consist of variable weight items such as fresh meat, produce, bakery, cheese and delicatesen products which under current regulations must be priced. Therefore this presents the industry with the opportunity to remove prices from the balance of the items which consist of approximately 5,000 in number, although this figure could vary considerably from chain to chain.

Wegmans Food Markets was one of the first chains in the Country to use a scanning system in a super market. Our first installation was made just one year ago this month.

In an effort to analyze the results of this store compared to our conventional stores we have hired housewives to make weekly shopping trips to our scanning store as well as our conventional stores and to report their findings to us. Now, I would like to share with you the results of our study.

The first thing we found out was that 70 percent or 7 out of every 10 customers that went thru our conventional check stands were charged an incorrect price and that on an average our customers were being under charged.

The second thing we found out was that for the items it was possible to scan, those having a code symbol applied at the manufacturing or processing level, we could achieve almost a zero factor of error.

Therefore, armed with this information, we have started to remove prices from many source symbolized items in our test store. They would number about 1,000 at the present time. On the surface we have seen very little reaction to having prices removed but when we interview our customers as to their feelings about the program, we find that a substantial majority would prefer that we price mark most items.

Because of our results and similar results on the part of other chains who have experimented with price removal, the Public Policy Committee, which I chair, has commissioned Michigan State University under the direction of Doctor Jack Allen to do an in depth research study on the subject of price awareness on the part of the super market customer. Because our Public Policy Committee has as a member James Turner, who sits on the Committee as a consumer and has arranged for communication between the Committee and various consumer groups, we have had the opportunity to structure our research program to give recognition to the consumer concerns over the issue of price removal.

Two stores will be selected from each of three chains which have stores with scanning terminals and which have removed prices from a substantial number of items. One store of each chain will be the scanning store with prices removed. The second store will be a conventional unit having the same demographic characteristics as the first, but with each item priced as usual. The study will attempt to determine if there is any difference in the degree of price awareness on the part of the customer when the item does not carry a price and the only price identification is that on the shelf tag versus the conventional method, whereby each item is individually marked.

This study will be completed and presented to our Committee by March of 1976 and at that time we will make it available to anyone who wishes a copy.

Therefore, I would like to conclude by saying that I do not feel that legislation requiring all grocery items to be individually priced is wise at this moment because the food industry has not had time to assess either the economic advantages or the customer reaction to price removal. Hopefully, our research may be of help.

Senator TUNNEY. We are recessed.

[Whereupon, at 1:20 p.m. this hearing was concluded.]

PRICE DISCLOSURE ACT

MONDAY NOVEMBER 17, 1975

U.S. SENATE,
COMMITTEE ON COMMERCE,
SUBCOMMITTEE FOR CONSUMERS,
Washington, D.C.

The subcommittee met at 9:45 a.m., in room 5110 of the Dirksen Senate Office Building; Hon. Frank E. Moss, (chairman of the subcommittee) presiding.

Senator MOSS. The hearing will come to order.

This is a continuation of our hearings on S. 997, the Price Disclosure Act.

When we were last in hearing, Ellen Haas, the former president of the Maryland Citizens Consumer Council was not able to complete her statement. So we will ask Mrs. Haas if she would resume the stand and continue.

STATEMENT OF ELLEN HAAS, FORMER PRESIDENT, MARYLAND CITIZENS CONSUMER COUNCIL

Mrs. HAAS. Thank you, Senator Moss. It is a pleasure to be here again to continue my statement, because I feel this issue is very important for consumers, not only in the State of Maryland, but for the country as a whole.

The Maryland Citizens Consumer Council is a statewide grassroots, volunteer consumer organization with members in all counties across the State. It is affiliated with the Consumer Federation of America and the Conference of Consumer Organizations.

It is indeed a pleasure to have an opportunity to testify on this issue of immediate and critical concern to consumers, particularly in the State of Maryland. We stand today at the crossroads of a controversy as to how the consumer is to be equipped in order to function efficiently in the marketplace. We urge that Congress reaffirm the consumers right to full information. Passage of S. 997 would insure needed protection for consumers.

The need for easily used, readily available, and pertinent information was never greater than it is today. Adequate tools are necessary for the consumer to perform efficiently in their continuing struggle of providing their families with a nutritious diet at a reasonable cost. Yet, despite these informational needs, and despite the present period of skyrocketing food prices, the industry has apparently turned its back on consumers, in their desire to maximize their savings.

This controversial situation which sees the consumer and food retailers on opposite ends of the policy spectrum is a result of the intro-

duction of the universal product code and the new technology of the computer-assisted checkout system.

At the outset, let me underscore that we are neither opposed to the advancement of technology nor to the advent of the computer-assisted checkout system. Rather, we share the food industries' enthusiasm that this technology, if developed with proper safeguards, could bring benefits to all who participate in the marketplace.

However, a close examination of the various issues raised by this new system is necessary so that we can better understand the problem: We have been face to face with the issues right here in Maryland. To date, a local food chain, Giant Food, has opened three stores with this new equipment. After the decision to introduce the computer-assisted checkout system was made, a consumer advisory committee was formed.

Two representatives from the Maryland Citizens Consumer Council, as well as representatives from the Virginia Citizen Consumers Council and other consumer organizations, were members of that committee. After studying the subject and reviewing the potential consequences for the committee, all made their position clear. We recommended that when the new equipment was introduced, prices should not be removed from individual items. In a letter dated August 8, 1975, to the companies' consumer advisor, we stated:

> The UPC is a major consumer issue of national significance, and we cannot abdicate our responsibility to inform the public on this critical issue. It would be a serious disservice if consumer representatives were to remain quiet while UPC is moved into the marketplace without pricing on individual products and accompanied by massive and sophisticated industry publicity and without careful attention being paid to the many potential economic and social problems.

The verbal and written recommendation of those advisory committee members went unheeded. So, too, the positions of Consumer Federation of America, the National Consumers League, the National Consumers Congress and countless State and local organizations who advocated retention of individual price marking were not recognized.

Apparently when it came to economic concerns, the industries' record of attentiveness to consumer needs has appeared to dissipate. Six months after the previously mentioned letter was written, the first store in the State, one of only a few in the country, opened in Severna Park, Md., with the new technology—but without visible pricing. The elimination of visible pricing by this retailer and others to follow, could be a reality for consumers across the country, as it is for those in this community if they were left unprotected. This legislation, S. 997, is necessary for our Nation's consuming public in order to safeguard their right of being informed. In addition, this bill mandates that stores also unit price their products. This companion pair of informational tools are essential for the prudent consumer to buy wisely.

The universal product code is the 12-digit code that identifies product and manufacturer. It is evident on a growing number of grocery packages. It is estimated by the industry that by the year's end, 80 percent of all items in the supermarket will bear the UPC symbol. With the new system, the grocery items are drawn across a window that contains a laser beam which "reads" the code and signals the computer. The computer finds the price for each item and flashes it back on a small screen at the register while printing this on the cash register slip.

Before we sought legislation to protect consumers against the removal of prices, we repeatedly expressed our position to the industry

representatives so that they could respond to consumer needs voluntarily. Because we have reason to believe consumer rights are being ignored, we support legislation as a remedy before the abuses from the system are a way of life and will be impossible to correct.

The Maryland price-marking experience, illustrates why legislation is needed. It is unfortunate that the industry chose to maximize their savings from this technology by eliminating visible pricing. Consumers are seeing their needs sacrificed to make up for the sizable investment in the new equipment—approximately $110 per store. This potentially abusive policy can only be corrected by legislation such as S. 997 which requires price marking of individual packages.

Price marking of individual items is necessary for the consumer because:

1. IT CONTRIBUTES TO PRICE CONSCIOUSNESS AND AWARENESS WHICH HAS A DAMPENING EFFECT ON INFLATION

When individual items are price marked, the relationship of a product and its price is constantly reinforced both in the store and at home. Many prudent habits depend on this knowledge. When food costs continue to rise at record rates, it is most important to be aware of the changes in prices. In his syndicated column, the noted consumer author, Sydney Margolius said: "It is always helpful to see that a can of soup that cost you 21 cents a couple of weeks ago is now 26 cents. You may even decide to make your own soup." If individual item pricing were eliminated, your cupboards would be stocked with unpriced foodstuffs. This would tend to lessen any price consciousness you might have.

2. IT IS AN IMPORTANT INSTRUMENT OF COMPARISON SHOPPING

Without visible pricing, one would need a superb memory when pushing your shopping cart from aisle to aisle. Decisions are made not only when you select a can off the shelf. The average shopper usually rethinks the initial decision when comparing regular shelf items with end of aisle promotional items or when comparing canned versus fresh versus frozen items.

3. IT PROVIDES A DEFENSE AGAINST INSTANTANEOUS PRICE CHANGES

This new computerized system is equipped to change prices for items instantaneously; in effect, you could pay 99 cents for an item that was shelf listed for 89 cents. Unless you had a perfect memory, you would most likely not remember all the prices on items in your shopping basket. There is no built-in safeguard in the system to protect against arbitrary raising of prices from the time you left the shelf to the time you get to the checkout.

4. THERE IS NO INSURANCE THAT THE SHELF TAGS WILL EITHER BE ACCURATE OR THAT THEY WILL CORRESPOND TO THE PROPER PRODUCT

While improvements have been made by some chains so that their shelf tags are clearer and do not move easily, there will still be problems of "shelf drifts"—products winding up in other places rather than immediately above the correct price/unit label. In a recent survey

we did of 800 shoppers in Maryland, a State with mandatory unit pricing, we found 69 percent of shoppers listed lack of unit price labels on shelves as one of the things that bother them most about supermarkets.

5. IT IS A TOOL TO VERIFY THE ACCURACY OF THE PRICE YOU PAY

Generally, so-called computer errors are made by the people who program the computer. Though accuracy is improved with the new system, it is possible that mistakes can be made without being noticed. When no prices are stamped on the packages, it would be impossible to check the accuracy of the terminal, unless you returned to the shelf tag.

6. IT IS AN EASILY USED, READILY AVAILABLE ELEMENT OF INFORMATION

The alternative of an improved detailed cash register tape, offered by the industry, is no substitute for clearly marked item pricing. Elimination of price marking would virtually mean you would have to become your own auditor to compare cash register tapes. Though consumers bear responsibility for being prudent and using wise habits—they also expect that industry—and if industry won't; government—to provide them with adequate information. As innovative as the new cash register tape is—it falls short of any standard for adequate information, which is available at all times—in the store and at home. Even if the consumer accepted the burden of looking back through old tapes, the tapes will not include all pertinent information. At best the tape is limited in characters and does not include the size or flavor or style of preparation; nor does it include the form—canned or frozen.

The Savings From the System

The policy of removing the prices from individual items is directly related to the savings to be gained from using the system. No one is in doubt that supermarkets will realize significant dollar savings from the computer assisted checkout system. However, there is no guarantee that any savings that will be realized by the industry will be passed on to consumers.

Let us imagine a world, where all the savings from this technology were passed on to the consumer. Yet price marking was eliminated. The average shopper with a $50 basket of groceries would save approximately 16 cents. If you spend $3,000 a year on food, the savings would be less than $10.

These figures were based on stated industry projections of possible savings. Projections were made public by the industry at opening of the Severna Park store. At that time, they indicated that savings from price marking could be approximately 19 percent of the "hard savings." Hard savings are those initial savings realized at the outset—reduction of store front personnel, overrings, pricemarking. However, there is agreement in the industry that the "soft savings"—inventory control, automatic reordering, and so forth—will be equally as high. That brings price marking savings more in the range of 9 percent of the total. Some industry and computer analysts even state that it can be as low as 4–5 percent of total anticipated savings when the

cost of remarking—half the cost of marking—is eliminated. This percentage of total savings transcribed into a $50 market basket, results in possible savings no more than pennies.

If the supermarket industry were to retain individual price marking, they would still be able to realize substantial savings. Even if the prices were to remain on packages, a store with a $3 million annual sales would show a savings of $23,000 per year. In contrast, projected savings from an automated checkstand where the prices did not appear on individual items is $34,700 a year. For approximately $225 less savings per week, a chain, truly responsive to consumer needs, could provide this valuable information.

In addition, the system functions whether the prices remain on individual packages or are removed. In fact, industry spokespersons have stated that the removal of prices is not necessary to install a system.

Legislation such as S. 997 is needed while the technology is new. It is our responsibility to see that it advances with adequate consumer protection. Certainly the difficulty of our task would increase if we were to sit back today only to become alarmed tomorrow and then to try and correct the abuses after a pattern of business had become set.

Premature Legislation?

No doubt you have heard it argued that this legislation is "premature" and that the industry is only conducting a "test". Yet it is difficult to reconcile the fact that legislative action is premature with the fact that the computerized checkstand has been actively considerated for the last 10 years under the direction of the Ad Hoc Grocery Committee. Out of its studies grew the invention of the Universal Product Code in 1973. The industry has had more than 2 years to get the code on the merchandise—nothing very "premature" about that.

The Wall Street Journal on May 29, 1975, dealt a blow to the "test" myth, when it reported that "hundreds" of stores would be operational in 1976. The source of the article was not some "self-styled consumer representative", but IBM. As one of the biggest suppliers of the hardware, they ought to know the situation. The second largest hardware purveyor, National Cash Register, has announced that it has shipped 1,000 computerized supermarket checkout systems since last year. IBM and NCR are only two suppliers out of some 15. Is legislation "premature" and is the industry only conducting a "test" when really you have this kind of activity on the hardware front? The question then is not if the system will be implemented, but how it will proceed.

The mythology of a "test" is alive and well in Maryland. Though originally announced as only a 6-month test, the Severna Park store continues to operate, 10 months later with the prices still removed from the packages. Let me add that representatives on the advisory committee have continued to go on record recommending that prices be reinstated. It is still less than clear what is being "tested". If it is a documentation of the savings, then there is a fatal flaw in the test. From the beginning, the industry has said that the computerized checkstand will provide two kinds of savings—hard savings—productivity—and soft savings—inventory control, and so forth. In a one or two store setting, it is possible to reach some reasonable conclusions about hard savings, but it is not possible to determine and

make applicable all of the soft savings potential. It has been stated that soft savings might outstrip hard savings, or at least equal the hard savings. Clyde L. Dawson of Marsh Supermarkets, in a report to the Supermarket Institute indicated the promise of soft savings by stating: "While justification on these systems will undoubtedly be based on hard savings, the soft savings and the enhancements of the software programs in the future will offer a much greater return on investments."

If the test is to determine consumer attitudes, we believe that the results of such a test would be inconclusive for the following reasons:

1. In any test, such as Severna Park, those consumers that demand prices and refuse to shop in the store will not be registered in the survey. They will select themselves out.

2. Depending on how the questions are put to consumers, the various surveys to date have been conflicting. For example, the industry indicates that shoppers like the system by a great majority; the Baltimore Evening Sun however, has reported that feelings are equally split. The Maryland Citizens Consumers Council collected several hundred mail-back votes for mandatory price marking during the 1975 Maryland session. In addition, in February of 1975, 80 volunteers from the Maryland Citizens Consumer Council interviewed over 800 supermarket shoppers in nine counties and the city of Baltimore regarding their shopping habits, needs, and problems. The result of the survey found that "93 percent of shoppers notice price changes when they restock their kitchen shelves"—a prudent habit that is lost with the removal of prices. Also, 62 percent "watch for cashier mistakes at the checkout counter by checking the price on the item." Another wise habit that would be impossible.

Whether it be a volunteer effort as this was, or a professional study, it is most difficult to gather statistically valid data. Furthermore, regardless of whether shoppers do or do not indicate they care—which could be considered a measure of today's apathy—we feel that this is critical information and the supermarkets should be encouraging its use.

3. Finally, the question of whether consumers like the system is irrelevant to the issue of whether visible pricing is a necessary tool of information. This is not a beauty contest. Yet we realize that consumers are influenced by the fact that they are shopping in a shiny new store, with an enormous selection of products all the way from plastic flowers to Lebanon bologna. Also, they have on hand, to assist them, an oversupply of employees looking out that every last orange be in place. What can we expect from a poorly staffed inner city store that traditionally is without these features? Whether consumers like the new store, is not as pertinent a question than if the information is necessary.

State Legislation

Over the past year, many States considered legislation such as S. 997. Measures requiring visible pricing have been signed into law in Connecticut, California, and Rhode Island. In addition, numerous cities have adopted the legislation, including Chicago.

In the 1974 Maryland legislative session, an overwhelming majority of general assembly members supported the consumer effort in favor of

visible pricing. The bill passed the house of delegates by a 2 to 1 majority. However, the time ran out of the session without the bill ever being brought to a vote in the senate. For mysterious reasons, it was never even voted on in committee. The 6 months of testing that the industry asked the legislature for, has come and gone. Yet, to date Giant Food in the State of Maryland has not provided the advisory committee or made public a delineation of what they were testing or how such a test could be conclusive. The supermarkets have released their surveys; we have offered some data on the subject; there are other research projects in the development stages. Surveys are everywhere, from varying perspectives; yet despite all this activity, the situation for consumers is exactly the same as it was on August 8, 1975, when we first announced our position. It will be the same tomorrow. As long as supermarket chains continue to exert their market power by removing prices, as was done in Severna Park, then legislation is needed as a remedy so that consumers of this country can be protected against that loss.

Senator Moss. Thank you, Mrs. Haas, for your statement. The food retailers have argued that Congress should allow the marketplace to dictate whether prices should or should not be marked on the package. What is your response to that argument?

Mrs. Haas. If this was a true and fair test; and that could be a possibility, I would support it. However, there are many other factors that can go into it. One is many shoppers in the marketplace do not have a choice of where they can shop. It is the store closest to them. In the Washington area we we don't have a sense of true competition—that you can just go to the next store. Also, there are many reasons that people choose one supermarket over another, and I value these reasons and feel that they are important.

For example, the choice that people have for products, the service in a given store, the newness of a given store. All this does not take away the basic fact or the need for price information. I think when people are confronted with that choice, I am afraid I don't know how much of a consideration they place on prices on the packages. Unless they knew, through consumer awareness what the implications were for them.

Senator Moss. While most of the public debate on the automated checkout systems is centered around the price-marking issues, there are issues of privacy which I believe ought to give us concern. What work, if any, has the Maryland Citizens Consumer Council done on this factor?

Mrs. Haas. A representative from our committee sits on another Giant credit committee and has been working in this area. Also in my abbreviated statement, I didn't underscore the way I did on November 3, our support of the system as a whole. We do favor the new computer-assisted checkout system, and we realized the various problems.

The advisory committee did state several concerns, and one is this invasion of privacy possibility. And we are monitoring that today, and there are people working on that. I, myself, am not working in that field.

Senator Moss. The ad hoc UPC Public Policy Committee is currently conducting a behavioral study, the results of which they say will

shed some light on the need for price marking. Are you familiar with that study, and do you have an opinion about that?

Mrs. HAAS. Yes; I am familiar with that study. I have attended several meetings where the ad hoc committee has presented to consumers in a briefing session the whole test plan, and I support the effort, though it is limited. I feel that it is fine, but I feel that it is not the answer. I think the effort is very fine, however, and the members themselves don't have great faith in the conclusiveness that this study can be, because of the fact that you have so few stores today with the system, and those stores are primarily in suburban areas, so that means that in the whole that, you do not have the inner-city stores and the need of information in the inner-city shopper's life. I am afraid that it is going to be missing certain points, but yet will add to our whole knowledge about consumer attitudes, but won't solve this problem of whether we need prices on products.

Senator Moss. Thanks, Mrs. Haas.

My colleague from Indiana?

Senator HARTKE. Isn't the real question involved here whether or not there shall be any type of pricing other than at the point of selection?

Mrs. HAAS. That is right. Beside the shelf.

Senator HARTKE. That is the heart of it. I still do some shopping, not that I want to, but I have, you know, a big family, a wife that insists I still do part of that. I have not been liberated yet. But I would like to know how you would ever go back and check, for example, after you got home, how would you ever know what the price of an item was after you got home?

Mrs. HAAS. If you don't have the prices on the individual package?

Senator HARTKE. I mean if you eliminated the individual pricing.

Mrs. HAAS. Well, that is the problem I see, sir, that every time you restock the shelves, you won't be aware of the prices, unless you looked very carefully at the new cash register tape. The new cash register tape will give you some information, it will say "ketchup." It may say "G. ketchup," or "H. ketchup," for Heinz.

Senator HARTKE. Say I have a bottle of ketchup at home.

Mrs. HAAS. That is my point. You would have to become your own auditor and go back and look at the new slip and double check, find ketchup on it and then find out how much the ketchup was.

Senator HARTKE. I have to go to a slip like this here and see if it said "DEL130 D," right?

Mrs. HAAS. Exactly.

Senator HARTKE. I am telling you, I won't be able to figure that out.

Mrs. HAAS. It is great to hear you advocate it, sir.

Senator HARTKE. I am just asking here.

Mrs. HAAS. This is exactly the point.

Senator HARTKE. This is one of the expert places here. D.Y. .89 D homo-something.

Mrs. HAAS. There are cases where you might see "GRN Beans."

Senator HARTKE. What is that?

Mrs. HAAS. Green beans. There may be a time where you will see something as clearly as green beans and it will say "49 cents." But I have yet to see where you also will have the amount, or the style of cooking, like "French style green beans," or will it say canned or frozen.

Senator HARTKE. Why would they want to print the nutritional value on an item which is much more difficult to understand in this day and age, which I am in favor of, but why would they want to put the nutritional value on it and not the price? Most people, whether we should or shouldn't be, are more concerned about price than nutrition.

Mrs. HAAS. I have yet to find an answer for that same question. This the most basic of all information, the most necessary of all information, and that has been the center of a controversy for a year and a half, and I have yet to find that answer. This is why we support legislation which would provide that information to be on products.

Mrs. HAAS. All right. Thank you.

Senator MOSS. Thank you very much, Mrs. Haas, for your fine testimony. We appreciate it.

The Honorable Peter Peyser, Representative, was unable to come, but has filed his statement and that will be made part of the record.

[The statement follows:]

STATEMENT OF HON. PETER PEYSER, U.S. REPRESENTATIVE FROM NEW YORK

A revolutionary super-market check-out procedure is looming on the horizon. These vast changes are embodied in the Universal Product Code System, which provides for sophisticated computers, not clerks, to tabulate the customer's bill.

This system uses a computer to store price information on every item in the store. A code for each item, which is of course stamped on the product, is also stored in the computer. An electronic scanner at the check-out stand reads the code and the symbol on the package and the computer terminal rings up the price automatically.

The advent of the Universal Product Code and the electronic check-out has created the opportunity for substantial changes in the grocery industry. The Universal Product Code is a ten digit numbering system for identifying items. The first five digits in the code identify the manufacturer, and second five digits identify each product of that manufacturer. Its function is to give each product its own computer-readable label that distinguishes it from all other products.

The equipment that will accommodate customer check-out includes an electric cash register, checkstand with built in scanners and an in-store minicomputer that holds the price data. The cost of the equipment per store will run from $85,000 to $120,000.

However, a probable consequence of the implementation of the UPC will be the removal of numerical price marking from the products. Numerous disadvantages for the retail workers and consumers would be posed if the duplicate marking is not retained. Thousands of retail laborers involved in product pricing could lose their jobs. For the consumer, the disappearance of the readable prices will mean a loss of price awareness which has been the primary tool used to make the best purchases on the shopper's budget.

The price is an essential piece of information to the customer. Without prices, consumers will lose the opportunity to compare prices between products. The recommended compensation, having consumers mark each item with grease pencils, adds considerable time to the shopping expedition and obviously is an added burden to the shopper. Consumers will lose the ability to insure that the prices on the goods match the price that they are charged. The prices flash on and off the scanner so rapidly it will be impossible for the customers to retain price information.

Many consumers compare the price of the product to the price on the cash register receipt after bringing the goods home. This is obviously impossible if the prices are removed. Additionally, consumers often compare prices on products just purchased with those on the shelves at home. This knowledge of price differential might cause an alteration in menu planning and buying patterns.

Many supermarkets plan to use detailed register tapes. But it will be an additional burden for the consumer to save register tapes and then go through multiple comparisons from tape to tape.

Retailers plan to compensate for the removal of prices by using shelf labels. However, there are definite hazards in the shelf labeling, as illustrated by a Gen-

eral Accounting Office report to Congress on January 29, 1975. The office conducted a survey on the number of missing or damaged shelf labels in 100 supermarkets. Of the 100 individual items surveyed, 10–20% of the products had missing shelf labels. In addition, GAO found that the shelf labels were either unusable or only partially usable for 7–30% of the products because of shelf overhang, poor label conditions, label misplacement, or distances between the shelf and the product.

These conditions will only adversely effect the consumer if the product prices are not retained. For these reasons, consumer organizations, including the Consumer Federation of America and The National Consumer Congress and state and federal legislatures have taken action to attempt to mandate duplicate pricing.

One large supermarket chain which has been in the forefront of adopting the computerized check-out, reports that the labor union representing its employees strongly opposes the introduction of this new technique on the grounds that employees will be laid off. However, a clause was added to the union contract—providing that no present staff member would lose a job because of new technology. Since the installation of the computerized check-out will be achieved on a gradual basis, the inclusion of this clause in the union contract is feasible. I believe those individuals presently employed by supermarkets should be insured that they will not lose their jobs. Job protection for these employees is a "must", especially in view of persistent unemployment in today's economy.

Ladies and gentlemen, in closing I want to emphasize that I do not want to see progress slowed. However, the introduction of new technology frequently requires safeguards. Therefore, I support legislation which will require that the price must appear on all items in supermarkets and other food stores. I believe this to be a matter of great urgency as all households in America will be affected by the UPC. Therefore, I urge you to give this matter your prompt attention.

Senator Moss. We now call on Congressman Rosenthal, a Representative of the State of New York and welcome him to the committee and ask him if he would like to proceed at this time.

STATEMENT OF HON. BENJAMIN S. ROSENTHAL, U.S. REPRESENTATIVE FROM NEW YORK

Mr. ROSENTHAL. Mr. Chairman, members of the Consumer Subcommittee, I appreciate this opportunity to testify on S. 997, the Price Disclosure Act. I have introduced identical legislation in the House, with 60 cosponsors. This is one of the most important pieces of consumer legislation before the 94th Congress because it will affect nearly everyone who shops at a supermarket.

We are facing a revolutionary change in the retail food industry, a change that has much potential for good but contains a threat of much harm to consumers and, I believe, to the industry itself.

The industry is planning to spend some $400 million over the next few years to install automated checkout systems in supermarkets. At the heart of the system is the universal product codes, the now familiar line markings that appear on the majority of packages in the stores.

The new system is intended to speed up checkouts, make them more accurate, improve inventory efficiency and generally reduce costs to retailers. Unfortunately, in the words of one veteran observer of the grocery industry, the drive toward front-end automation is motivated more by the almost endless dividends it will reap than by consideration for the consumer.

Ironically, the industry in its preoccupation with increasing profits has been remarkably silent about passing any of these dividends on to consumers in the form of lower prices.

UPC and electronic checkout are expected to produce a net savings before taxes of 1 to 1.5 percent of sales, or about $149 million annually. Since most foodstore operators realize a net profit of less than 1.5 percent of sales, these savings promise substantially increased profits.

Along with the promises this system holds is the threat of needless confrontation with consumers. This is because of the industry's apparent insistence on removing price markings from individual packages as part of its computerized conversion.

Mr. Chairman, I think the conversion to universal product codes and computerized checkouts is potentially one of the best things that ever happened to grocery shoppers, especially if the savings are shared with consumers and not just used to swell profits. But using it as an excuse to remove item prices could well be one of the worst hoaxes ever to happen to consumers.

Individual price markings are something consumers already have—and use—and are infinitely more important than any savings that would accrue by their removal (even if those savings were passed on through lower prices, something I doubt would ever happen).

Giant Food, Inc. of the Washington-Baltimore area, one of the most vocal opponents of this legislation, admits that it probably would still realize over 80 percent of the potential UPC savings even if item pricing were continued.

Other industry figures estimate that the difference between price marking and removal is about $225 a week per store. A major confrontation with consumers hardly seems worth such a small sum for a store with over $60,000 a week in receipts.

Actually, the true cost may be only a fraction of that $225. According to a study by Garvey Labelmatics, Inc., a company producing price marketing equipment, individual item pricing may cost only about a penny a customer for a store doing $60,000 a week business. That comes to less than $48 a week, or under $2,500 a year. A bare scratch in the potential $34,700 the industry expects to save at each automatic checkout store if permitted to eliminate price marking.

Before greed gets the best of them, I urge the grocery industry to think twice about price removal.

When the trend is toward greater disclosure, as exemplified in laws mandating truth in lending, truth in advertising and so on, what the grocery industry proposes would be a giant step backward to the days of customer-be-damned.

The National Association of Food Chains, which is leading the opposition to this legislation, claims to have the best interest of the consumer at heart. If this is so, I wonder why it has consistently opposed every major piece of consumer legislation that Congress has considered since I have been a member. It opposed truth in lending, it opposed truth in packaging, and it led the fight against the creation of a consumer protection agency. The evidence speaks for itself. The association's record belies its lipservice dedication to consumer rights.

In these times of inflation and recession, we must do everything possible to give the consumer the tools needed to maximize the value of each dollar. The elimination of item pricing is inconsistent with that goal.

It would make virtually impossible the consumer's tallying of purchases while shopping. It also prevents shoppers from comparing

prices in the store and previous purchases at home. In addition—and this is probably what appeals to retailers most—it reduces the all-important consumer consciousness of food prices and price increases.

Retailers contend shelf labels will be able to take the place of item pricing. That is absurb ! Shelf pricing has been notoriously sloppy and would require platoons of stock clerks to keep packages and prices together.

Repeated studies have shown that shelf markings are not a good substitute for item pricing because they are such an inaccurate source of information. A recent investigation by the General Accounting Office found that between 17 percent and 50 percent of the shelf labels in 100 stores surveyed may have been unusable by the consumer.

There are no safeguards that shelf labels will be accurate or kept from sliding around in their slots. Anyone who has ever gone shopping can tell you that merchandise does not stay neatly stacked throughout the day and that it is virtually impossible to memorize the price on every item in the grocery cart.

Once the customer gets ready to checkout, he probably will discover that several of the registers have been closed because the store has found that automation allows a fewer number of clerks to handle the same number of customers in the same amount of time as before. For the customer, that means the wait will be just as long. And when he finally gets to the counter, the speed of items being passed over the optical scanner and their prices being flashed on the visual terminal will hardly allow him time to check the price.

One of the greatest potential abuses in the new system comes when the latest price is entered on the computer before it gets marked on the shelf. A typical 100,000-item supermarket may have 300 price changes a week. A store manager whose sales are lagging might be reluctant to post promptly newer and higher prices that already are registered in the computer. Or he might just be too busy to get to it right away.

In the discussion of this bill, we tend to overlook a very important provision—retail unit pricing.

As the person who introduced one of the first unit pricing bills ever before the House of Representatives, I consider this a fundamental anti-inflationary measure that is essential to the consumer's effort to combat the tide of rising prices.

Unit pricing is long overdue and much needed. It permits shoppers to make precise price comparisons among the multitude of sizes and varieties of the same product, and select the one that most economically fits his needs.

One manufacturer's output of a singe product like soda pop or breakfast cereal or 10 bags of beans often comes in a half dozen or more sizes. It is hard enough choosing which among them is the best buy, let alone comparing all of them to the packages of another brand. And then there's the difficulty of selecting among the various forms in which foods may be available—fresh, frozen, or in cans. Even a math whiz with a pocket calculator would have to make dozens of computations for each selection.

All too often, Mr. Chairman, opposition to unit pricing is a shield behind which many ripoffs are concealed. No honest businessman should be unwilling to tell his customers just how much he is really charging for any given product.

Many enlightened supermarkets already have adopted unit pricing on their own and are to be commended. And a number of State and local governments, including New York City, have mandated unit pricing. The latter situation confronts many retailers with a maze of potentially conflicting regulations they must observe. Enactment of this legislation will aid both industry and consumers by establishing a consistent and uniform system of unit pricing, and I urge its adopton.

We hear industry spokesmen piously testify that they are not opposed to item pricing or unit pricing. They tell us they simply have the consumer's best interest at heart and want to defeat this legislation in an effort to defend the consumer's freedom of choice."

True freedom of choice does not mean denying vital information. It means making all the information available—in this case, individual item price markings and retail unit prices—and letting consumers choose for themselves what use they wish to make of that data.

I am tired of hearing big business tell us just how great it is and how all its new innovations are there just because we consumers demanded them. I wonder who the miracle makers of Madison Avenue were listening to when they fulfilled our every wish by giving us Pam aerosol cooking spray, 5-day deodorant pads, sugar-coated cereals like Frute Brute, ballpoint pens that write on butter and underwater, feminine deodorant sprays, flavored shampoos, squeezably soft and scented toilet paper, artificial potato chips and aerosol cans of artificial cheese to spread on artificially flavored crackers.

Another aspect of this freedom of choice myth is that customers who don't like UPC and the removal of item prices will bring the industry to its knees by shopping elsewhere.

This is a fraud perpetrated by an oligopolistic industry. As the current FTC antitrust case against several large supermarket chains indicates, a select handful of big grocery chains dominate many metropolitan areas. The choice simply isn't there. And neither is the competition.

One supermarket executive said that customers at his automated stores who want prices marked on the products they pick up can do it themselves and he'll supply the crayon. He's my candidate for the Marie Antoinette Award for Public Understanding.

Opponents of item pricing like to refer to it as duplicate pricing. Let's clear up that fallacy right now. For those of us who don't own million-dollar optical scanners and computers, the choice is between pricing and not pricing. We're not asking for duplicate pricing. We want the price marked just once—right there on the package we're buying.

Those much-touted descriptive register tapes also are a farce. With space for only a dozen computerized characters, they can hardly tell the name of the product, the brand, the size, and the other information consumers need to make price comparisons in the home. In fact, those tapes are so incomplete as to be misleading in many cases. This was effectively demonstrated in the testimony of Mr. Walter Davis of the Retail Clerks International Association and his examples of tapes recording purchases of different varieties or sizes of identical items but failing to distinguish among them.

Mr. Chairman, I urge the subcommittee to promptly report out S. 997 in the interest of protecting and preserving the consumer's basic right to know the price he is being charged for the food he buys.

This is especially important in these days of high inflation and constant food price fluctuation.

Without mandatory price marking, it is altogether conceivable that prices could go up between the time the customer picks an item off the shelf and the time he gets to the checkout counter, and he would never know it.

We must not permit this to happen.

Senator Moss. Thank you very much for your statement.

Is there any need to expand the legislation to provide supervision for the computers as well as the price marketing?

Mr. ROSENTHAL. I would be happy with this legislation as it is already drafted, if it were to pass.

Senator Moss. What are the prospects of this legislation in the House?

Mr. ROSENTHAL. Its prospect is good. It is just a question of timing. The Commerce Committee on the House side has been so busy with the energy problem, they really haven't been able to get to other important areas.

I know full well that if this body passes the legislation, we will take it up quickly and act affirmatively.

Senator Moss. Will it remain then in Commerce, or is there likelihood of another committee taking it?

Mr. ROSENTHAL. I don't see any need for another committee. I think if and when it passes this body it will be much easier for the Commerce people to call it up and act expeditiously.

Senator Moss. Thank you.

Senator Hartke, do you have questions?

Senator HARTKE. No questions.

Senator Moss. Thank you. We appreciate your fine testimony and your good support for the legislation.

Our next witness is Mr. Robert Powelson, corporate vice president of Nabisco Co., Inc. He will be accompanied by Richard Leighton, I understand.

We are glad to have you gentlemen before the committee. You may go right ahead, sir.

STATEMENT OF ROBERT POWELSON, CORPORATE VICE PRESIDENT, NABISCO, INC., EAST HANOVER, N.J.; ACCOMPANIED BY RICHARD J. LEIGHTON, SPECIAL COUNSEL, GROCERY MANUFACTURERS OF AMERICA, INC.

Mr. POWELSON. Thank you. It is a pleasure to be here.

Good morning, Mr. Chairman. Good morning, Senator Hartke.

My name is Bob Powelson. I am a corporate vice president of the Biscuit Division, Nabisco, Inc. Our headquarters is in East Hanover, N.J.

Accompanying me is Dick Leighton, special counsel to the Grocery Manufacturers of America, Inc.

Today I am appearing before you on behalf of the Grocery Manufacturers of America. GMA is an association of the Nation's leading producers of food and nonfood products purchased by consumers primarily in supermarkets and other retail grocery outlets.

GMA opposes S. 997. We do appreciate this opportunity to tell you why, as clearly as we know how, so there can be no misunderstanding our viewpoint.

S. 997 is titled the "Price Disclosure Act" and sets forth specific price marking requirements. It seems fitting, therefore, that we first present some relevant observations with respect to food prices.

Until 1973 food prices in general had been rising more slowly than per capita incomes. This was good and resulted in providing more money for discretionary spending for all consumers.

However, during 1973 and 1974 and continuing into 1975 food prices rose sharply and our industry was subjected to intense scrutiny from all segments of society.

In the final analysis, the chief link in holding our prices constant while covering increased costs is obviously an increase in productivity.

The grocery industry is desperately trying to increase its productivity so that we may blunt the trend of rising costs which result in increased consumer prices.

These are difficult times in which to attempt this. However, these times will be made even more difficult if we are inhibited in our sincere attempt to experiment in new ways to increase productivity.

One of the industry's major efforts to increase productivity has been concentrated on developing what is now called a universal product code system.

The retail segment of the industry can best explain the dramatic technical workings envisioned.

GMA represents the companies which are putting the universal code on packages for use in the system. We would not do so if we were not convinced of the system's great potential to increase productivity and thereby aid in holding the line on consumer prices.

Our strong commitment to this new but yet unproven innovation is strikingly simple. Rarely are we given an opportunity to increase productivity while simultaneously improving the quality of customer service.

GMA's list of perceived customer benefits that we envision to be derived from the implementation of the Universal Product Code system would include, in addition to more informative purchase records, less confusion at the checkout, less change of human error of cash register input; better inventory control, thereby reducing the frustrations of out of stock conditions; greater efficiencies and productivity throughout the food distribution system, thereby facilitating the potential of relatively improved retail food prices.

Please remember that the UPC is still very much in the testing and experimental stage. This, we feel, is very important to your full consideration of S. 997.

Although considerable research has been done on developing a more efficient pricing and checkout system for grocery products, much more is still to be done.

At present, UPC automated checkstand systems are being tested throughout the Nation at 36 retail outlets. Only six of these are experimenting with the removal of individual item pricing.

For perspective, you should realize that there are over 200,000 retail grocery outlets in this country, not to mention the millions of other

retail outlets which would be subject to the price marking provisions of S. 997.

One of the very many variables being considered and tested is use of the UPC system on products which do not bear price markings directly on their packages.

This variable is being tested by real consumers for their own potential benefit and consideration and under real life marketplace considerations. There is no better way to test such a variable.

The primary purpose of these tests is to determine whether the addition of other pricing information elsewhere can serve the interests of consumers just as well or better than individual item pricing and, of course, whether significant cost savings can be achieved through this method in conjunction with other variables within the system's potential.

We feel it is important to stress that we in the industry do not yet know the answers to these very important questions and we cannot know them until the system has been tested adequately with and without item pricing.

Those who want to stop these consumer tests carry the banner of a "consumer's right to know," yet their efforts would prevent consumers from finding out for themselves what they wish to know, how they wish to acquire such knowledge, and how much they are willing to pay for its presentation.

If enacted, this bill would bring to a halt inquiries in the marketplace to determine whether there are more efficient and acceptable ways to communicate price information to consumers.

Mr. Chairman, it is worth emphasizing that at the present time there are only six grocery stores in the entire country conducting tests to determine whether there are better alternatives to making purchasers aware of product prices than the one developed in the 1930's, handstamped items pricing.

S. 997 would kill an idea which has yet to be born. If left to its natural course, the idea might prove unfruitful in which case it will die a natural death in the marketplace.

If marketplace experience proves it to be a bad idea, that is the time for Congress to consider regulation in this regard.

For the benefit of consumers, this subcommittee should not regulate out of existence a mere idea, especially one being evaluated by and for consumers.

Section 2 of S. 997 requires item pricing not only of products which are now item priced, but would include literally thousands of additional items which were never so priced.

Mr. Chairman, GMA is opposed to S. 997 primarily because we feel such legislation is premature. Our industry has spent a great deal of time and money in the development of this new system because we sincerely believe it has a great potential for bringing cost savings to the consumer and it has great potential in making the shopping for food products more efficient, speedier, and more pleasant.

We emphasize again that this new system is in an early experimental stage and that we are only seeking sufficient time to obtain the answers from the consumers as to how this new system can best serve the interests of our consumers.

It has been our purpose today to clearly outline the importance to consumers of maintaining a climate in which the food industry can

continue to experiment freely and innovate creatively in a manner which constantly seeks to receive and evaluate input from consumers.

We realize that for many people change is a very painful experience. We are also mindful that only change which is accepted will long survive.

This subcommittee is serving a useful and important function by focusing public attention on a controversial issue. We know this subcommittee relies heavily upon the contributions made during its public hearings, and seeks all viewpoints. We believe this is a very healthy thing.

Thank you, Mr. Chairman. We sincerely appreciate the opportunity to have presented the views of our industry and I shall be pleased to respond to any questions you may have with respect to my remarks.

Senator Moss. Thank you, Mr. Powelson. We are certainly glad to have you come to testify and explain to us the viewpoints of the grocery manufacturers.

We do want to give it every weight and consideration because you are dealing with the problem very directly.

In your statement you discuss the experimental nature of the automated checkout equipment and suggest that legislation await further experimentation.

What parameters would you place on experimentation?

In other words, when would the experiment be over?

Mr. Powelson. Mr. Chairman, I think actually the answer to that question is best left to the retailers themselves.

As you know, the manufacturers are in a cooperative effort in terms of fixing the code on our products. I can say this most sincerely: I know it is the intent to bring this testing stage to a conclusion as quickly as possible.

On the other hand, the idea is so important to the productivity ultimately of the food business that it should be checked in every way possible.

As soon as these findings are in any way conclusive, they will be made public and we are hopeful that will not be a long period of time.

Senator Moss. Have the manufacturers pretty much accommodated now to the new code?

Do you have it on nearly all of your products?

Mr. Powelson. Yes, sir. Our own company, Nabisco, I am pleased to say, was one of the first companies that had it across its entire product line and in general the grocery manufacturers have cooperated, again with the intent of increasing productivity in the food marketplace, so that we can hold the line on these costs.

What we want to find out is how much can it help us to reduce costs and bring these benefits to the consumer?

Every day the consumers vote in the market place, on the movements of Nabisco products and other products.

We don't want these prices to go up.

One of the keys to holding the prices in line is increased productivity.

In general the food business has been very slow in increasing productivity. We feel here is a whole avenue open to us in the future to accommodate this.

At the same time our number one objective obviously is to please the consumer, who is our customer and votes on us every single day.

Senator Moss. Many of the small food processors have complained about the cost to them of changing labels to accommodate the UPC symbols. This may in the long run be balanced against savings.

How do you see the adoption of the UPC system bringing savings to manufacturers as well as retailers?

Mr. Powelson. Well, I think that is further down the road, Mr. Chairman. Our first intent is obviously at the retail level where productivity can be increased.

However, obviously with a sophisticated computerized system like this, we can envision in the future, computers at the retail level being put on scene with the computers of the manufacturers in terms of inventory control, in terms of expressing to the retailers the results of promotional efforts that we have made, in terms of spacing for individual products based on their movements, and chiefly I think in terms of out-of-stocks. It will help out-of-stocks greatly at the store level and this in turn would help manufacturers as well as retailers and certainly will aid consumers.

Senator Moss. Do you have any views on unit pricing?

Mr. Powelson. Yes; we do. We are opposed. GMA is opposed to mandatory unit pricing. I agree with Congressman Rosenthal, the industry has done, I think, a fine job in terms of the voluntary adoption of unit pricing. It may very well be down the road that, in conjunction with the universal product code systems, a whole new avenue will open up in terms of importance for unit pricing.

But we are opposed to mandatory unit pricing at this time.

Senator Moss. Would you oppose it if it does come in as part of the use of the new code?

Mr. Powelson. If at the end of these experiments, Mr. Chairman, the consumers express a sufficient interest in the new system that we are discussing this morning, and if unit pricing is important to them in that total function, we would be for it.

Senator Moss. The Senator from Indiana.

Senator Hartke. You say here this would be of benefit to the consumer. How do you have any assurance that if there were cost savings, that there would be a passthrough of those cost savings to the consumer?

Mr. Powelson. Well, the food industry, traditionally, Senator, is an extremely competitive industry. The name of the game in terms of the manufacturers and in terms of retailers obviously is to please the consumer. By virtue of the competitiveness of the industry, cost savings beyond question would be reflected at the retail level.

Senator Hartke. Well, in other words, there is no guarantee, that is what you are really saying? What you are telling me is if there is a saving, as far as the consumer is concerned, he can take his chance and hope to goodness he might get it?

Mr. Powelson. No, sir, that is not the way it works really.

Senator Hartke. Would you be willing to have legislation passed that if this system were adopted and unit pricing were eliminated, that the books would be open to the GAO to examine them and any savings would have to be passed directly on?

Mr. Powelson. There is no way to calculate the myriad of factors that are in the mix in terms of savings. I don't see how possibly we can get the accounting that fine tuned.

Senator HARTKE. You mean to say you don't have that type of accounting system in the grocery business? You are telling me that it is priced competitively, who would know there would be a reduction in price, then?

Mr. POWELSON. Sir, at the moment I am not speaking for the retailers themselves who determine the prices consumers pay.

Senator HARTKE. You are saying the benefits would be to the retailer rather than to the consumer, then?

Mr. POWELSON. No, I am not, sir. I am saying the grocery industry is extremely competitive, the margins have been extremely narrow. The benefits of each activity through the years were passed on to consumers—when we went from Ma and Pa stores to supermarkets, the savings at that time were passed on to the consumers; as we went to automated warehouses and the benefits were derived from them, that savings was passed along.

Senator HARTKE. Did the profits go up for the chain stores since the Mom and Pop stores came off?

Mr. POWELSON. The retailers would have to answer that.

Senator HARTKE. Haven't the profits gone up in the food industry generally since the Mom and Pop grocery stores went out?

Mr. POWELSON. On a per unit base?

Senator HARTKE. I'm talking about making money, I'm suggesting that they are making a very substantial profit, aren't they good earners?

Mr. POWELSON. You are asking me a question that should be directed to the retail segment of the industry.

Senator HARTKE. Let me ask you about the Grocery Manufacturers of America. How can you come in and tell us as far as you are concerned there will be a great saving to the consumer when you say there is no real method of how you could compute that saving, and yet you tell me there is a great advantage to having this type of competition. How can you go both ways at the same time? You can't say the consumer is going to benefit, but you don't know how.

Mr. POWELSON. I'm saying the consumer will benefit by virtue of increased productivity in the food industry, at the wholesale or retail level. We have had very little of that over the years. Here is an avenue which we hope can vastly increase productivity over time. That is the prospect for the system. It is a good prospect, but it still needs to undergo considerable testing.

Senator HARTKE. How much does one of these machines cost?

Mr. POWELSON. I don't have that knowledge.

Senator HARTKE. You don't have any idea?

Mr. POWELSON. For the computers? No; I don't have any idea.

Senator HARTKE. And you are in this business. You are coming in here testifying it will be a great savings to the consumer, yet you don't have any idea what the units cost?

Mr. POWELSON. What the individual units cost that will be in the individual supermarkets, the systems?

Senator HARTKE. You tell me any way you want to, individually, compositely, any way you want to. You have come in here and testified as an expert on behalf of the Grocery Manufacturers of America that there will be a great saving, and yet you have no idea what the cost of them is individually or compositely?

Mr. POWELSON. Sir, I have testified we wish to have the opportunity to experiment, so we may find out the cost benefits verus the investment. The individual investments would depend on the size of each retail outlet, the size of the system they eventually find adequate for their particular needs. I am saying that the only way we can really get that answer is to finish the experimentation with the system. There are several equipment variations now and there will be more variations as we proceed, I am sure.

Senator HARTKE. You are telling me that the statement you made, that you spent a great deal of money, is merely an item you pulled out of the air?

Mr. POWELSON. Not at all. I just cannot tell you what it will cost for a retail store to install this equipment now or when it is perfected.

Senator HARTKE. How much did you spend?

Mr. POWELSON. How much did the grocery manufacturers spend?

Senator HARTKE. That's right.

Mr. POWELSON. I don't have that figure.

Senator HARTKE. Who spent the money on all of this?

Mr. POWELSON. The entire food industry spent the money, the manufacturers spent it in terms of the costs of affixing the codes to individual packages.

Senator HARTKE. You say your industry has spent a great deal of time and money in the development of this new system. Who spent it and how much?

Mr. POWELSON. Primarily retailers. I don't have the latest answer as to how much, but I see that they are scheduled to testify today.

Senator HARTKE. How can you tell me you don't know the cost of the item, and at the same time you come in here and tell me there are great cost savings. You make a flat statement it will result in cost savings.

Mr. POWELSON. I can make a flat statement——

Senator HARTKE. You say significant cost savings can be achieved through this method.

Mr. POWELSON. Yes, sir, because I know the impact of increased productivity, and increased productivity represents a cost saving.

Senator HARTKE. Are you telling me if you eliminate a step in the work process that there will be a saving?

Mr. POWELSON. Yes, sir.

Senator HARTKE. That is sort of elementary. I mean if you don't do all of the work, I guess the costs go down. Is that correct?

Mr. POWELSON. We are not suggesting not doing all of the work, we are suggesting doing it in a more efficient, modern way.

Senator HARTKE. Are you saying the cost savings as a result of this technology would be getting rid of labor costs? Is that what you are saying?

Mr. POWELSON. Would you repeat that question, please?

Senator HARTKE. Are you saying that to get rid of the labor cost that you are going to put this technology in, is that what you are saying? Is that what you mean talking about productivity?

Mr. POWELSON. That is only one part of potential productivity gains being studied. We are trying to find out the answer to that very good question, but this bill is designed to prevent us from ever finding it out.

Senator HARTKE. What other parts are there?

Mr. POWELSON. Again you are asking me now to answer a question that is best asked of the retailers, in terms of their saving at the retail level. However, certainly better determination of the flow of the product from the shelf in terms of having the correct mix, based on the individual unit sale which will be reported each day with the UPC system, would increase productivity through better inventory control. That has nothing to do with labor savings.

Senator HARTKE. In other words, on the inventory, instead of watching it, what you are saying is you do it with the machine, instead of with people. That is what you are saying, right?

Mr. POWELSON. In terms of the inventory control?

Senator HARTKE. Yes.

Mr. POWELSON. No; in many cases there are machines now doing it. This is just a different method of machine usage in terms of inventory control.

Senator HARTKE. Would you be willing to say in the event there was any reduction in employment as a result of this, that you would make an equivalent contribution to a fund for assistance, such as we did in the Trade Act?

Mr. POWELSON. I would say if this is looked upon in terms of automation, that each time any industry has tended to automate itself, it has tended to increase employment, sir, although not necessarily the same out-of-date jobs. There are now more auto mechanics than blacksmiths.

Senator HARTKE. In other words, if the worker is hurt, that is his tough luck, right?

Mr. POWELSON. No.

Senator HARTKE. Is it our job as taxpayers and the rest to go ahead and pick up the unemployment compensation and the social cost of putting those people out of work so you can make a bigger profit?

Mr. POWELSON. Senator, each day, each consumer that walks into a supermarket, is a worker of one type or another. These are the people we all depend on in our industry and other industries on for survival. Certainly I am not saying in any way we are trying to hurt the workers of America. Precisely the opposite. They are our customers.

Senator HARTKE. You mean you will put more people to work?

Mr. POWELSON. I think that history has proven that any system, any job, any industry that has been automated, the answer is ultimately, yes, more people are put to work.

Senator HARTKE. You show me one. You just made a statement, you say that technology has increased employment. Show me one industry.

Mr. POWELSON. Automobiles.

Senator HARTKE. The automobile industry? It resulted in more buying and having assembly lines cut down on people. You ask them today. They are massively out of work, where they have automatic welds, instead of hand welds.

I am not saying it is right or wrong. I am just saying as a matter of fact. I don't think you can prove that statement. There are a number of things in this and I am trying to find out if this is going to be a consumer item, of going ahead and giving them the cost benefits, which you say in your statement, but I can't find any evidence that shows it. What you are going to do about the consumer?

If it doesn't help the consumer and doesn't help the worker, it looks like there is one group of people it will hurt and that is the business, a small segment of business people in the food chainstore business and the grocery business. They are willing to go ahead and sacrifice the benefits for the consumer and the benefits to the worker so they can make an extra buck.

Mr. POWELSON. I assure you if this system does not help, ultimately, the consumer, the system will die a natural death.

I am saying, give the consumer an opportunity to experiment with the system and comment on it. When that vote comes in, you will know about it. If the consumer is pleased with the system, it will be successful.

Senator HARTKE. Why do you have to take the price off the individual item, why not leave that on there and if she likes the system, she can take it, instead of worrying about a system here—I see this is Giant Food in Severna Park.

I got corn flakes, 63 cents; corn flakes, 49 cents; corn flakes, 37 cents. OK. Then I come to HZ, I guess that is Heinz, right; 57 varieties, HZ ketchup, 89 cents, HZ ketchup, 79 cents, HZ ketchup, 49 cents, all in the same store.

I will tell you one think, that really helps the consumer, I mean it eliminates his confusion. I tell you, he looks at that and he says you know one thing; I just as soon get all of my meat and let it go. Of course, former President Nixon put it on his cottage cheese, too.

Mr. POWELSON. I think as I said before, Senator, at the moment there are six individual stores testing such a system. There are 36 stores in total that are even hooked up with such a system. You may be right, maybe it cannot be done effectively and still serve consumers well. The tests will prove you right or wrong.

The tape you are referring to that was used in your example may or may not be the type of tape which will eventually be used in large-scale application of the system. I do assure you that the tape they may end up with in this system will be far, far more informative than the mile and a half of just numbers that consumers are receiving today.

Senator HARTKE. I hear you, and I don't expect you to agree with me, after all you came here for the purpose of trying to kill the legislation.

Mr. POWELSON. No, sir. To prevent the legislation from killing a mere idea.

Senator HARTKE. Look, I don't find anything objectionable about it. But let's say it is a bottle of ketchup, it has those marks on it, and I go home. How am I going to find out how much that bottle of ketchup costs me?

Go back and get the sheet out and say, let's see, ketchup, I got two sizes of ketchup; isn't that right?

Mr. POWELSON. It would show on the tape that you purchased two sizes of ketchup. Is the problem that you would be in a dilemma as to which was the one you had in mind?

Senator HARTKE. I have the bottle of ketchup sitting on the table. I don't know how you put your groceries away, I set them out and the wife puts them away. I have the bottle of ketchup on the table, and she says I wonder how much that ketchup costs. There is no way of knowing, is there?

Mr. POWELSON. At the time she purchased——

Senator HARTKE. No, let's stay home.

Mr. POWELSON. Go back to the tape and it will so indicate.

Senator HARTKE. It is on the kitchen table. How much it costs.

Mr. POWELSON. If you are unpacking your groceries, you should also have your tape there, and it should indicate what the price is.

Senator HARTKE. But don't give me the tape and try to find out where it is on the tape and then check to make sure that the ketchup is there, that I understand the code.

Mr. POWELSON. I am trying to say to you——

Senator HARTKE. I have to look down to find out whether this is the 13-ounce size or 16-ounce size ketchup I have. So I pick up the bottle, the size 16 ounce, and I look, 16 ounce—pardon me, olives, 13 ounces, G. T. olives, 13 ounces.

If I am old, I have to get the looking glass to see if I can recognize 13 ounces on it. Isn't that really the fact? And that helps the consumer?

Mr. POWELSON. As I have expressed to you, Senator Hartke, we are in a stage of experimentation and we would like to experiment and find out ultimately what helps the consumer. The tape that you are reading now is no more than an experimental tape which may or may not be changed.

Senator HARTKE. You told me you spent a lot of money and time to get this.

Mr. POWELSON. I have also told you we are in the experimental stage.

Senator HARTKE. Did that machine cost over $100,000 to put in that store?

Mr. POWELSON. As I said, I don't know the costs of the various machines available for various services now, or what they will cost later.

Senator HARTKE. If I told you it did, would you be surprised?

Mr. POWELSON. Would I be surprised? No, not if it were used in a large store.

Senator, if in the end, the largest dilemma were whether a consumer can determine what ketchup costs or the cost of anything else bought in the store, we'll have to ask ourselves what are the trade-offs involved. In any new system there will be trade-offs.

If ultimately the trade-offs of the benefits in this system do not outweight the benefits you described, it will fail.

Senator HARTKE. In the trade-off now, let's be basically honest now, the trade-off is not whether the consumer will get any benefit, the trade-off very simply is whether that retailer in the marketplace, whether those people are going to be able to take a little bit more out of the consumer's dollar, and take it back for themselves. That is what it amounts to.

Mr. POWELSON. No, sir, I disagree.

Senator HARTKE. I don't expect to agree. But I think, really, this is one of the reasons a lot of people are upset over grocery stores, they don't know what to do about it.

That is all I have.

Senator Moss. All right, thank you, Mr. Powelson. We appreciate your testimony, your points of view, speaking for the grocery manufacturers. We will consider it very carefully.

Thank you.

65-740—76——6

Senator Moss. Our next witness will be Mrs. Peterson, who is testifying for herself, but of course we all know Esther very well, and her leadership in consumer matters over many years, and we are very pleased to have you here before us again this morning, Esther.

STATEMENT OF ESTHER PETERSON, WASHINGTON, D.C.

Mrs. PETERSON. I am glad to be with you to participate in this interesting dialog.

As I said, I am Esther, but I want to make it very clear that I am appearing here today not as consumer adviser to Giant Food, and not as president of the National Consumers League. I am appearing on my own behalf as a consumer advocate.

I have long believed that many of our problems do not lend themselves to legislative solutions. But I want to make it clear that I believe just as strongly that legislative solutions should be pursued when they are required to meet a problem.

The issue we are addressing today, amending the Fair Packaging an Labeling Act under S. 997, I believe is a marketplace issue and not a legislative issue.

Frankly, in the whole list of consumer issues before Congress, I consider this one to be trivial. The issue is not trivial—there is no room for debate on whether or not consumers have the right to be informed at the point of purchase. They have an absolute right to price information.

I want to make that absolutely clear. This is a basic right and I work hard to defend it, and I will continue to work hard to defend it.

I do not believe, however, that we have to, nor can we effectively legislate the specific manner in which this is done.

At Giant, my terms of employment were that I could be independent. We knew we would differ on some issues, and on this issue we have differed.

When Giant planned to install its first computer-assisted checkout, the first in our section of the country, we had no experience to go on, no pattern to follow. We early organized a consumer advisory committee and had many long discussions about the workings of the system. We all recognized that its success or failure would depend on the degree of public acceptance.

The consumer advisory committee had many concerns. They made numerous recommendations to Giant about aspects of the new system. Those concerns have been substantively addressed, and some of them were resolved. For example, after getting sufficient information, the laser safety issue was put to rest. Giant's shelf and unit price label was greatly improved. The receipt tape was improved.

The committee addressed and is continuing to address the privacy issue, the level of service, the technical changes to reduce the margin of error, the controls for price changes, and much more. The company was receptive to many suggestions.

I even think I would say that this committee named the system. Everybody was calling it UPC, and this committee named it the computer-assisted checkout.

Giant gave extended consideration to the committee's view that there should be minimal change from current operations of the super-

market in measuring consumer response and in getting started with this system.

The committee and I pointed out that people in this marketing area are used to seeing prices marked on the articles in a supermarket. The committee and I urged that prices be retained during the first store test. Some committee members objected to any test with prices removed. Others suggested testing with prices off later as consumers became familiar with the system. The committee was divided on this issue.

In general, the committee felt the public needed to know more before Giant experimented with price renewal. Giant's management disagreed with the committee on this one. But I must stress here that my differences with Giant were over timing, not over whether a test of price removal should ultimately take place.

This isn't the first time Giant's management and I have disagreed. Giant guaranteed I could be independent in the position I have, and I am deeply grateful that that independence has been maintained.

The implementation of this new technological breakthrough is extremely important. It must be studied. There is a long list of consumer issues which must be addressed.

The industry's shelf marking has been generally sloppy. In many cases, there is a disturbing lack of control over store operations. Consumers have a right to question whether the industry will supply the discipline that is necessary. I have visited many stores in many States, and I must say that I am appalled at the state of unit pricing and shelf labeling. And in those cases I can certainly see where you would have to have the prices marked on the product, because I don't see how the consumer can know the price otherwise. However, I am not saying that price removal cannot work if discipline is maintained.

Which way do we have the best discipline? Which is the least costly? Is it more costly to have discipline for shelf marking so that one does not have to have the individual item price marked? What are the trade offs, the alternatives? We don't know yet.

Maybe we have to develop a monitoring group. We haven't begun to look at the kind of things that can be done. And there are other valid issues being raised: competition, privacy, control of computers, price consciousness, diminution of service, price changes, price comparison, the tape: can we learn to use the tape for budgeting, for price comparison between stores? We don't know.

It was said during these hearings that we shouldn't have to become a Nation of file clerks, rummaging through a drawer full of old register tapes. Really! How do people organize their income tax receipts? How do people organize their medical bills? Don't underestimate the ability of the people. Think of the benefits for family budgeting. Think what could be done in determining family consumption patterns. Then think of what we spend today in Government trying to trace consumption patterns with far less reliable results than may be possible with this technology.

Until recent years, the major food problem of America was managing what appeared to be unlimited agricultural surpluses. Supermarkets, to a great extent, served as the marketing appendage of the growing and processing elements.

Now this has changed. Surplus has given way to shortages, the domestic market has expanded to a world market, and natural disasters have compounded the economic ones. The sprawling decentralized retail food system, the consumer's only point of contact with the huge food industry, began to bear the brunt of consumer suspicion, distrust, and frustration with the enormous changes taking place throughout that system.

Congressman Rosenthal has said that the retail food industry has been sort of dinosaurish. I think this is true. But the exciting thing is there is now almost a reversal of roles. I see the retailer serving as the point of stimulation for industry change, rather than as the passive recipient.

I believe that consumers are partly responsible for this and are taking advantage of this development to implement desirable change in the fields of food manufacturing and processing. Now, food retailers are using the new technology of the computer-assisted checkout to stimulate greater efficiencies and cost savings all the way back along the food production and distribution chain.

Those who maintain that mandating price removal won't have an affect on this process are kidding themslves. It certainly will.

The distribution system has to be looked at. A major problem has been a smooth and equitable distribution of food to those of our citizens who need it. How do we serve those who are not getting it? The UPC has the potential benefit of helping to analyze the way people buy food, so that we can help them to improve their family's diet. We haven't begun to address what consumer advantages can be put into this system as we move into it. We've concentrated on so much energy on the problems that we haven't begun to look at the benefits.

This issue is very high in tone and emotion, not just because of the consumer's right to know, but because it portends massive change in our food distribution system, our knowledge of food consumption, our capacity to meet the challenge of world needs, and without question, a redistribution of the labor force.

I have traveled widely in Europe and find that they are ahead of us in many supermarket areas. There you can see an entire display section, prestocked, being rolled in with, in some instances, a single price posted on the gondola. It's a whole new stocking concept that reduces the cost of bringing food to the consumer. Some similar stores are starting in this country where they are selling by larger lots. What would be the effect of this legislation if the new European system were widely introduced here? Would we repeal this legislation? Let's face it, the advent of this kind of technology is worrying labor, and with good reason. It is probably at least partly responsible for their interest in item pricing legislation.

We have an obligation as a people to address the problem of jobs. Over 8 percent of our population is presently unemployed. Stopping progress is no substitute for genuine full employment planning and implementation.

The job needs of this country are not going to be met by stamping the price on a can. Holding back progress just delays addressing the issues. The job problem is not a function of this issue. It is merely illustrated by it. We are a technological society and must be prepared to meet its challenge.

Some of the most exciting developments in the consumer movement today are taking place at the local level, in negotiations with local supermarkets.

We are working it out somewhat the same as we did in the early days of the labor movement. This is the shape of the new era that is coming, and this is a technique that eventually can be used to solve a lot of problems. I have already mentioned the impact on Giant's computer checkout system.

Consumers have also had a very important influence in the areas of nutrition labeling, unit pricing, cosmetic and over-the-counter drug labeling, and toy safety programs to name just a few. At Giant, there were committees of outstanding citizens, regular consumers, experts, who served without pay for the sake of improving consumer services, and in the larger orbit, of having a significant impact on the entire marketplace. I am proud of this system; it works.

The very fact that price marking is receiving so much attention demonstrates that the consumer now is being heard far more than was thought possible a few years ago.

We are stumbling, we are trying; it's new, it's untried, but the point is that the new relationship between consumer and business is developing, and that's the exciting thing. If we use this new relationship, I think we can work out many of the problems of the marketplace.

I have read that 25 percent of our people are functionally illiterate, and cannot figure the change of a $20 bill. They don't know how to read unit pricing, or nutrition labeling. They can't even use the price information stamped on the can. Helping these people is the kind of challenge to which we should be addressing ourselves with all our energies.

How do we teach people to use the tools that are already at their disposal? How do we teach unit pricing, how do we teach ingredient labeling? And how can we learn more through this new system to address these basic needs?

Price marking is miniscule compared with other issues. Furthermore, I believe that price marking is an issue that can be settled and will be settled in the interest of the consumer outside the legislative process. I am seeing it happen.

To go for legislation now, I believe, would be to ignore a new method of influencing the marketplace that consumers have struggled to perfect for years and is finally beginning to work. This legislation cuts the ground from under that new process.

There can be no doubt that the food industry has been slow to respond and consumers are protective of their flank. But the industry is beginning to respond, the first to do so. Already there are real wins.

Consumers have expanded the view of the system into the broad areas mentioned previously in this testimony.

Consumers have almost achieved a plain language description of product and code.

Consumers have brought awareness to the weights and measures issues.

They have directed attention to the EFTS and privacy control issues.

They are participating in the design of a more informative checkout tape, and are beginning to develop a dialog on how to handle information.

Even on the item pricing issue, consumers have had great influence in keeping prices on.

We're getting commitments for improved services, for the sharing of benefits, and this is but the beginning.

Let's "cool it" and wait until we know more. Time is needed to work step-by-step with consumers, not only on the price marking issue, but on all the other issues related to the system.

Out of this dialog will come, I'm sure, the best solution for both consumer and the marketplace which serve each other. This is the core of my belief.

Let's address ourselves to the real issues. How do we guarantee accurate price information, how do we take care of the labels that drift, and the double rings? What do we do about the EFTS system and what do we do about the invasion of privacy? What do we do about check cashing and the storage of purchasing information? How do we see that nutrition information is brought in? How do we see that the receipt tape gets enough digits so we can get sizes and have an understandable tape? How do we teach people a new way of shopping so they learn how to benefit from the system? We're learning all kinds of ways already and they are very promising.

The consumer movement is getting more sophisticated. Consumers are concerned about food prices and pricing systems. They are willing to learn new ways if the new ways are to their advantage.

We have a great body, the Office of Technology Assessment, studying the effects of technology on the food system. Yet it has hardly considered the UPC system. It's as though technology stops at the farm gate.

What I am trying to say is that we have to broaden the issue. Consumers need to talk about how to use this technology to really benefit the consumer. Can this technology help to insure that there is equitable food distribution for everyone?

One of the big controversies about the food stamp program is the charge that food stamp recipients are buying the wrong things. Think what this system could do, with proper safeguards for personal privacy and other rights, to obtain information on shopping patterns. And let me emphasize that proper safeguards are terribly important, but think how this system could be used to obtain information on shopping patterns.

For example, in taking some welfare recipients through one of the stores, I shall never forget one woman who looked at me after she looked at that tape—which is not what it should be yet. Senator Hartke; I want to emphasize that—and said, "Mrs. Peterson, wouldn't I love to have that tape to show my caseworker when she comes and asks how are you spending your money."

Senator HARTKE. Just keep the price on the item and the tape both, and she would really be happy.

Mrs. PETERSON. That is not the point I am making, Senator. I am talking about this technique that can be possible.

Experts tell me the sky is almost the limit on the kinds of information that are possible. We have to think about what those are. What safeguards are needed in this tremendously big and innovative area? So many could benefit.

The Department of Agriculture could benefit from the information developed in this system. So could HEW. Nutritionists could benefit

from the information. Family budget counselors could benefit. Home economists could benefit. Social workers could benefit and especially individual families could benefit.

All could benefit, especially if greater efficiency could lower or at least help to stabilize prices. The possibilities are great, and I think we ought to get on with them.

I thank you.

Senator Moss. Thank you, Esther. As always, you gave us a very thoughtful and dynamic statement.

But my question is, I guess, essentially what Senator Hartke tried to interject?

Why can't we have all of these benefits and improvements from the system—admittedly it hasn't been used very much yet, and it is just in its infancy as you say—but why can't we have all of those benefits and still keep the price on the can?

Mrs. Peterson. You see, what I am saying, Senator, is that we can get those benefits, but the legislative route is not the way to get them.

I have been around here a long time, I have seen us going for pieces of legislation. Look at truth-in-lending, you remember that. We thought if we got full disclosure, we had it won. But we didn't have it won, we needed more.

Think of the matter of the phosphates. Then we found that NTA was worse, and we had to go to disclosure. We thought we would have it under the packaging bill on standardization. We weren't able to accomplish standardization.

What I am saying is that we have got to experiment with new methods. I think there is a feeling in this country that we can't run to Congress for every little thing that goes wrong, although we must on many issues.

I am finding that a mechanism is developing in the marketplace. I feel like saying, like we used to say in the church, "oh ye of little faith," Senator.

Senator Moss. Esther, you have spent so much of your time leading the parade, for instance on unit pricing.

Mrs. Peterson. Yes.

Senator Moss. Now all we are talking about is stamping the can that says 10 cents on it.

Mrs. Peterson. I don't think that is a legislative matter.

I think it will be solved another way. It is probably going to be on there. I have told you that.

Senator Moss. I think it has to be on there, and that is the reason I am on the other side of the argument.

Mrs. Peterson. While I am not positive it has to be on it. I still do not think that now is the time for legislation. I feel very strongly about that. Quite possibly, prices will remain on without legislation. But, look, I don't think we can only solve these things by legislation. Think about the enforcement.

If we could solve it with the force of the marketplace, think how much better it would be. I am pleading for a new system, pleading for an awareness to let the negotiating system between the consumer and the marketplace take its course.

And, Senator, if it doesn't work, you are not going away; Congress is here, and we can come back if we find abuses.

Senator Moss. You opened your statement with an eloquent plea for the consumer to have all of the information.

He certainly deserves it, has a right to know at every stage.

Mrs. PETERSON. Absolutely.

Senator Moss. Yet, for some reason you withdraw from him this right to know when he picks up the package and looks at it.

Mrs. PETERSON. But, they will have the information.

How do we know that the information that will be on the shelf price label and on the tape will not be enough?

You see, it just may be sufficient. I am saying that we can't legislate this. I am trying to point out that the development of new techniques may mean we will have to repeal this law, if it is passed. We are taking a little piece of the whole issue.

Senator Moss. As you say, the Congress will always be here.

Mrs. PETERSON. Of course, you are not going to run away. And don't think we can't come to you.

Senator Moss. And we do repeal some things when we find we have taken the wrong turn.

Mrs. PETERSON. Hurray for that.

I am on the Federal Paperwork Commission, and realize the ease with which we run to Congress for solutions to questions, without exploring if there is another way to get the results and find it another way.

Senator Moss. Is it the cost of applying the stamp to the article that worries the retailer?

Mrs. PETERSON. I think you have to address the industry on that. Of course, cost is part of it.

Also, the inefficiencies of it. Our consumer committee was terribly scared about the changes in price. The technicians have been able to factor into the computer, margins of error so that the computer will not accept prices beyond a certain percentage change.

We are just—we are that far [indicating] in beginning to understand this. We have so far to go. I am just saying, cool it for the time being.

Senator Moss. Well, I understand that, and we have had a lot of discussion about this. I understand that the cost of marking the item is less than——

Mrs. PETERSON. Of course, that is part of it.

Senator Moss. It costs much less than a penny for each dollar of value to put the price on.

Mrs. PETERSON. But let's look at it, let's see if it is worth it, let's see if we think it is worth it, or if we can learn a new way of shopping; of using the information at the point of purchase, of using the tapes.

Look, at Garrett's grocery store, where I did my shopping when I was a kid, we never had a price on anything. You know that. The prices were put on so the cashiers would know the prices of things.

It is an evolution, we are an evolving system, an evolving marketplace. It is from this point of view, Senator, we have to look at this. I think it is stupid for us to get frozen into a position that could be solved another way.

Senator Moss. Well, we are trying to find the other way, if there is a better one.

I think a lot of this conflict that we have now, when the price of food was going up so fast and some items were being stamped again with a different price, there was such an uproar——

Mrs. PETERSON. Understandably so.

Senator Moss. Yes; and finally some of the larger stores came out saying we will never increase the price when it is on the shelf.

Mrs. PETERSON. But I have been in the supermarket industry long enough to know how these things work. I won't go into that right now. That is not the subject of this hearing.

Senator Moss. But this seems to me to underline how important it is to the consumer to look at the item and say, look, I used to pay 56 cents for this and now they have it up to 61 cents, or whatever. And that was part of the pressure to hold prices down.

Mrs. PETERSON. I understand that. I am in the supermarkets weekly, and don't think I don't know this. That is where we have this tremendous information gap. We do have to address ourselves to these issues.

But the solution to it is not this solution. It is the wrong piece of medicine.

Senator Moss. Well, of course, it can be reduced to what looks like a sort of inconsequential thing, to just say, why should Congress say you have to put the price on a bar of soap in the supermarket.

Mrs. PETERSON. Absolutely.

Senator Moss. But the other side of it is this whole consumer movement that has been developing over the last decade or two.

Mrs. PETERSON. Right.

Senator Moss. It has now developed to the point where it is apparently ready to take a stand on this, we want to see the price.

Mrs. PETERSON. But remember, there is division. There was division in our committee on this.

I think we have to have far more discussion on it. The point is—what I tried to say in my first statement—we absolutely must have the price information. Do we legislate how that is accomplished? That is where we have got to have leeway to learn more about this.

Again, Senator, Giant has four stores including one store that has the prices of most individual products. But the price information is there. I don't think that the retailers are going to be so stupid that they won't put prices on if the consumers want it. It is a competitive business, the marketplace works there.

Senator Moss. We had to legislate on ingredient labeling, why can't we say put that on the tapes. You get the can of beans and look on the tape and see what the ingredients are.

Mrs. PETERSON. I think that is a bit farfetched.

Senator Moss. Why shouldn't I know the price of my can as well as I should know what the ingredients are in the can?

Mrs. PETERSON. You will know the price of the can, that is the point.

I am not saying you should take away price information.

Senator Moss. But I have to refer to the tape, so I use the same argument, why can't I refer to the tape on the ingredients?

Mrs. PETERSON. Well, because that is just a ridiculous way to have it. The ingredients won't change. You take that can of peas and the ingredients are there, the nutritional labeling is there when you use it.

Senator Moss. It might change, maybe they start putting different ingredients in the ketchup.

Mrs. PETERSON. That is on the label, it has to be by law.

Senator Moss. Yes; by law.

Mrs. PETERSON. But there is such a difference in this. This does not mean taking away ingredient information or nutrition information, nor does it mean taking away price information, I promise you.

Senator Moss. I just bring that up to show the thrust of this whole thing is to try to have the price associated with the article right there without reference elsewhere.

Mrs. PETERSON. That is the whole thing that I think we have got to know more about.

All I am saying it is going to be solved, and it will be solved in the interest of the consumer.

But that is what I am pleading for, that we try these other ways.

Senator Moss. Well, the consumer will be the ultimate arbritrator of course. But if he isn't informed, if he doesn't have all of the information at hand, then the consumer cannot exercise his ultimate pressure.

Mrs. PETERSON. I am saying again that I don't argue with you on that. Of course he has got to have all of the information at hand.

It is how to do that. It bothers me when we have all of these legislative matters before Congress and we take your time on this issue that can be solved another way.

Senator Moss. Thank you.

The Senator from Indiana.

Senator HARTKE. Esther, you are such a marvelous witness and so effective and persuasive, it is almost a danger to ask you a question.

Mrs. PETERSON. Come on, now. We have talked long enough.

Senator HARTKE. I have worked so often with you when you passed legislation so effectively that I really am rather surprised to see you oppose the legislative approach.

Mrs. PETERSON. Let me ask you, have I ever taken a position I didn't believe in, Senator Hartke?

Senator HARTKE. I am sorry, I would love to say you never have, that would be a nice thing to say, but I have never been able to read anyone's mind, let alone yours.

Mrs. PETERSON. It is interesting, you better try it.

Senator HARTKE. Who do you represent here?

Mrs. PETERSON. You didn't hear the first part of my statement——

Senator HARTKE. Yes, I heard it. I am asking you again.

Mrs. PETERSON. I am representing Esther Peterson.

Senator HARTKE. You do not represent Giant Food Store?

Mrs. PETERSON. I do not on this issue.

Senator HARTKE. Do you represent the National Consumers League?

Mrs. PETERSON. No, I do not. I am speaking for myself.

Senator HARTKE. Does the National Consumers League take a position different from yours?

Mrs. PETERSON. They have taken a position.

Senator HARTKE. I just wanted to get the record straight. You do not represent the National Consumers League?

Mrs. PETERSON. No. But let me say I do not represent them on this issue. At a board meeting, when the issue came up there was far too limited a discussion of it in my estimation to make a decision on a matter as important as this.

The record will show that I abstained on that vote, and that is again one reason why I must speak for myself.

Senator HARTKE. The fact your position does not represent the National Consumer League's position?

Mrs. PETERSON. No, it does not.

Senator HARTKE. In fact, it represents a position exactly opposite the National Consumers League?

Mrs. PETERSON. As you know, a resolution comes before the board, with limited time for discussion, and without going into all of the kinds of things that are related.

Senator HARTKE. I agree. But the league does endorse this legislation?

Mrs. PETERSON. The board of the league, that is correct.

Senator HARTKE. So you are in exactly 100 percent disagreement. You don't want the legislation and they do. Isn't that fair?

Mrs. PETERSON. That is correct, but I think also that we needed more discussion on the issue.

Senator HARTKE. You hate to find yourself in that position, I understand that, it is understandable, since you have been a leading advocate, but in this case the point is you are in opposition to the National Consumers League?

Mrs. PETERSON. I just feel that I have had a little more experience in this case. I feel that the group sat around the table and voted the other way after a very limited discussion.

Senator HARTKE. Do you represent in this case any recognized consumer organization?

Mrs. PETERSON. I haven't gone around to ask about this——

Senator HARTKE. I understand that. I am asking do you——

Mrs. PETERSON. No, I do not.

Senator HARTKE. In other words, you are representing a position which is not endorsed by any consumer group that you know of?

Mrs. PETERSON. That is correct.

Senator HARTKE. The senior citizens, what about them?

Mrs. PETERSON. I haven't discussed it with particular senior citizen organizations, only individuals.

Senator HARTKE. On visible pricing, if this legislation were modified and said if you are going to use this technology, these computers, would you be willing to accept the fact that the visible pricing be a matter of requirement in such case?

In other words, if you are going to have the computerized system, that in such a case that the visible pricing would also be a requirement rather than extending the legislation as it does at the present time across the board to a lot of other fields?

Mrs. PETERSON. How do you define visible pricing?

Senator HARTKE. Very simply, you are saying let's cool it, and I am saying let's cool it in the other direction. Why go ahead and take the step in the other direction so fast? Let's cool it and let's go ahead and really cool it and say OK, you can go ahead and use the new computerized system, but if you do, then in such case you also must make sure that there is visible pricing.

Mrs. PETERSON. I think if you say make sure there is visible pricing, fine. Are you spelling it out?

Senator HARTKE. That each item be priced.

Mrs. PETERSON. That each item be priced, no, I think the whole thrust of my testimony is that it is not a matter of legislation.

Senator HARTKE. I hear you, I understand. And that is still your answer to that problem?

In other words, I am submitting what would amount to a rather severe limitation on the legislation, what would be a cutback on the legislation, and you say you are not in favor of legislation. I am saying let's cool it, let's not make this massive change until we find out exactly what it does before we go ahead, and say if you are going to have this computerized system, in such case each item must be marked individually with a visible price.

Mrs. PETERSON. Then you are not cooling it, because you are putting it into a legislative mandated position.

Senator HARTKE. I understand. What if we directed the FTC to do this?

Mrs. PETERSON. I think, you know, we need controls, and I very often wonder if we couldn't come up with some imaginative way whereby people could have some kind of certification of controls that meet your major objectives.

For example, if we could say that the right to information must be there, but you would have a group—whether it's the Federal Trade Commission or something else—that would certify this. This way you would have flexibility for a while. You could guarantee those rights, but you might consider guaranteeing them using different methods.

Senator HARTKE. I am saying let's cool it, you say let's cool it, and I want to cool it with you, and let's not force down the throats of these people some new process which is experimental and throw out the old baby in exchange for a new one that came down the street.

Mrs. PETERSON. We are not forcing anything down anyone's throat, are we, Senator?

Senator HARTKE. You are forcing in a situation if you want to go into that store in Severna Park, in that area, if you want to shop in that Giant Food store, you can not get item pricing.

Mrs. PETERSON. But you don't have to shop at Giant. There is an A & P across the street.

Senator HARTKE. Come on. For those people that live in that area, yes, they can shop someplace else, I grant you that, but some people probably would find that that would increase their gasoline bill and everything else.

Mrs. PETERSON. But Senator, let me make that clear——

Senator HARTKE. Perfectly clear is the old expression.

Mrs. PETERSON. The competitor is just across the road, there is no more gasoline than to get to Giant. There is a Grand Union also just two blocks away.

Senator HARTKE. So you wouldn't be in favor of that either?

Mrs. PETERSON. No.

Senator HARTKE. Is Giant in favor of that?

Mrs. PETERSON. In favor of what?

Senator HARTKE. You told me you disagreed with that. Maybe I read your testimony wrong.

Let me see.

Mrs. PETERSON. I disagreed with them on the timing for price removal. I wanted the prices on in the beginning. Do you want to find the specific reference?

Senator HARTKE. It took me a while to read it. The sentence which begins, "The committee and I urged that prices be retained during the first store test." And you said "At Giant my terms of employment were that I could be independent. We knew we would differ on some issues. On this issue we have differed."

And you come full cycle now and endorse the Giant position.

Mrs. PETERSON. No; I haven't.

Senator HARTKE. You said——

Mrs. PETERSON. The point is that I differed with them, I felt that the prices should be on. I lost that one. Our committee lost it. We don't win them all. I did differ with Giant's position on the first test store.

I am saying now that it is not the legislative route we need to solve the problem. I don't think Giant has made a final decision on whether eventually they want legislation or not, I don't know. You would have to ask Mr. Danzansky.

Senator HARTKE. Is there any reason why they couldn't have the benefit of the improved tape and the marking of the prices at the same time?

Mrs. PETERSON. There again we don't know about that. We don't know yet——

Senator HARTKE. Let's cool it then and keep it until we know.

Mrs. PETERSON. But this is an experiment. Giant is testing one store with prices off, the others have prices on.

I think the savings, if the projections are correct, would make a difference. You will have to ask the industry about that.

Senator HARTKE. How much is the savings on a $10 order?

Mrs. PETERSON. I don't know that. You will have to ask the industry.

Senator HARTKE. Can I ask you a question, Esther. I know the strategem is to keep on talking and talking when you don't have an argument, you know. That is good strategem. I am just trying to get answers.

The answer, though, is this, as far as you are concerned, at the checkout counter, how does the customer know the price?

Mrs. PETERSON. At the checkout counter——

Senator HARTKE. He is supposed to remember it, when he shops for things on a weekend—the benefit of the supermarket is you go in on Saturday or Sunday and shop for a whole week. But the fact of it is how do you know when you get to the checkout counter what the price of the bottle of ketchup was?

Mrs. PETERSON. When you take it off the shelf you know what the price is. You made your choice because you had the price information there.

When you get to the checkout counter, the product is passed over the scanner, the price and description are flashed on a monitor, for example, ketchup 59 cents. You see the price again.

Senator HARTKE. It is flashed on the monitor and it goes off fast.

Mrs. PETERSON. Yes.

Senator HARTKE. Have you ever seen people standing there and looking at it and examining it and then they put it back?

Mrs. PETERSON. Absolutely.

Senator HARTKE. They would look at the price and say "Oh my goodness"—most people say "Oh my God, if I knew it cost that much, I wouldn't have put it in the basket in the first place."

Mrs. PETERSON. Yes. I often wonder sometimes, because they do know when they took it off the shelf what the price was.

Let me finish this. The price and description are flashed, and certainly it goes fast. In fact, Giant is trying to train employees in many stores to ring-up subtotals for consumers if they are afraid they are going too high and to put those items at the front. This was especially needed when prices rose so rapidly.

Then they get the receipt tape that says ketchup so much, whatever the price is. They will know the price from the receipt.

Senator HARTKE. If the people are so functionally illiterate that they can't read the price, do you think they are going to be able to understand that computer, is that what you are saying?

Mrs. PETERSON. I am saying that if people are functionally illiterate, we have to help them in many ways.

Senator HARTKE. Let's educate them.

Mrs. PETERSON. That is what we want to do. You see, one of the hopes I have——

Senator HARTKE. Let me ask you this again: I said how much is the saving on a $10 grocery bill to the individual as a result of this system?

Mrs. PETERSON. I don't know.

Senator HARTKE. Is it inaccurate to say it is 1 cent on a $10 purchase?

Mrs. PETERSON. The cost of this?

Senator HARTKE. The benefit, the saving, might be 1 cent, by not going ahead and marking individually?

Mrs. PETERSON. I don't know. I know enough to know I don't know all about the figures on it. I am not sure we know that. I think we should ask industry that question.

Senator HARTKE. Did you say you thought you could have 100-percent marking accuracy as a result of this?

Mrs. PETERSON. Again they are working at this. I believe we are up to almost that accuracy at the stores that have it.

I am sorry to say that the errors in price marking by hand are great. It is one of the big problems supermarkets have.

Senator HARTKE. Isn't the cost of shelf marking by this new system equal to the individual price marking?

Mrs. PETERSON. You mean the price marking, as well as shelf marking——

Senator HARTKE. Doesn't it sort of wash out, if you have 100-percent accuracy?

Mrs. PETERSON. I don't understand the question.

Senator HARTKE. If you are going to strive for 100-percent accuracy, the shelf marking and this system, aren't they about equal?

Mrs. PETERSON. I think both are necessary.

Senator HARTKE. There are a couple of statements that I think ought to be challenged on accuracy.

You say: "Until recent years, the major food problem of America was managing what appeared to be unlimited agricultural surpluses. Supermarkets, to a great extent, served as the marketing appendage of the growing and processing elements. Now this has changed. Surplus has given way to shortages."

Where do we have a shortage in food in the United States today?

Mrs. PETERSON. It is in the world we are talking about.

Senator HARTKE. But that is different. All right. As long as you make that modification.

It certainly hasn't occurred here. The apples are in such supply today that in many cases they didn't even pick the apples, they left them in the orchard.

The corn in Indiana, they are putting it on the ground because they don't have any place to store it. The soybean crop is equally excessive. I can't think of a single thing where there is a shortage compared to other years.

In other words, you say here that the surplus has given way to shortage.

Now either there wasn't a surplus or else it hasn't given way to a shortage.

Mrs. PETERSON. Senator, I am glad to clarify this. I am trying to put it in the context of a longer period. We had a lot of land that was not in use that we set aside and paid farmers not to produce. We have opened this up, because we were running into problems. We know we have to have a food policy that has reserves, that we have got to have far more food in order to meet our commitments for export as well as to feed our own people. I was trying to put it in the larger context of the total food supply.

Senator HARTKE. Esther, I would be glad for you to supplement your statement to either say or show me where the surplus used to be, and now where the shortages occur, or just to correct the issue.

I mean we did this before. We had the storage bins during the years where we had reserves, we eliminated the storage bins. I am saying I just don't think it does us any good to take information of this kind.

Let me ask you another question on this. Isn't one of the main elements here really a redistribution of the labor force?

Mrs. PETERSON. That is what I tried to point out. I think it is terribly serious.

Senator HARTKE. Are you willing to take any savings you have here and either require mandatory pass-through to the consumer or otherwise to have the savings put into a fund for the people who are redistributed in the labor force?

Mrs. PETERSON. This is exactly the kind of thing I was trying to get at. We have to get at that whole question.

Giant worked with the union to have ways of being able to insure that. They have worked it out, I know the union contract with Giant has guaranteed that no one will lose their job due to this system.

When I think of the kinds of jobs that I would love to see provided if we can get a little extra money, I would love to have consumer advisers at the stores in the inner city teaching people unit pricing. I can think of all kinds of job-creating things, if we can get a little elbow room to do it.

Senator HARTKE. I hear you and I understand that. You know under the old Mom and Pop grocery store system each individual item was not priced, and you came along and moved into a fashion where the doctrine of caviat emptor was replaced with the fact that there was some responsibility.

Why in the world wouldn't this responsibility and this business of helping the consumer which has all of a sudden hit the marketplace in great overwhelming fashion, why do you want to go back to the old concept, where exception is the rule of the day?

Mrs. PETERSON. I don't agree with your premise that exception is the rule of the day under the old concept.

Senator Moss. Thank you, Esther. You are a great advocate in your point of view, and I do admire your independence of thought on this. It poses a great problem for us, because you have been such an effective leader in the consumer movement that we do pay attention to what you have to say.

Mrs. Peterson. Senator, may I add just one thing. Senator Hartke was asking about the League. I am very conscious of the appearance of a conflict-of-interest issue. I am very sensitive to it.

Senator Hartke. Of what?

Mrs. Peterson. The conflict-of-interest issue. When you asked me about the position of the League and Giant.

Senator Hartke. I think you have a real problem.

Mrs. Peterson. I do not see this as a great problem. I personally do not feel there is a conflict of interest. While I believe both Giant and the League knew how I would testify, this was a personal decision. I just felt that the honest thing to do was to say what I believe. Because in experimenting, in moving into a new territory, I am trying to see if you can have consumer advocates inside. Just like lawyers are there to see that things are legal, let us see if we can have consumers there to see that things are in the interest of the customers. It is a rough new territory, and I am aware of the possible appearance of conflict of interest.

But I think we are in a stage of history where we have to be a little patient, and maybe just a little daring, Senator.

Senator Hartke. Esther, I see the problem, I see the difficulty you are in. But I don't see much difference between the argument you make and the one I have traditionally heard here of those people who represent the so-called vested interests of America, and that is the same argument over and over again. You leave me alone and I will show you how to do it in your interest and the marketplace will be the guiding light.

The only problem with that is the marketplace is not such a guiding light to a lot of people, and that is why the consumer movement has become so prevalent throughout the United States.

I listened to that argument from the automobile industry, leave us alone, we will provide all of the safety devices. Why we can make them put the label on the outside of the car, remember that, the little sticker on the outside, the price sticker.

In other words, they didn't, we had to. You know, there is a song—music is sometimes more descriptive than other things. You say we shouldn't have legislation in this field, and you talk in terms of don't look to Congress for everything. There is an old song that says "Who Can I Turn To?"

Mrs. Peterson. You know, you are absolutely right, and here we go again, but the thing I am saying is let's turn to ourselves, let's see——

Senator Hartke. I have listened to that, that is the Jerry Ford philosophy and I can't buy it.

Mrs. Peterson. No, no, no. I really protest that.

I am just saying that there is a new way, a new mechanism, that is exciting. I am finding it an extremely exciting period of my life to try this new way.

May I come and see you and we will discuss it?

Senator Moss. Thank you, Esther.

I have a request from the bakers that they be given a chance now, because they have out-of-town people. The bakers are not covered. They are probably exempted in this bill, but we will be glad to hear from Mr. Henry Fischer, president, Associated Retail Bakers, accompanied by Mr. Eugene Wilson and Mr. William Quinlan, general counsel.

STATEMENT OF WILLIAM A. QUINLAN, GENERAL COUNSEL, ASSOCIATED RETAIL BAKERS OF AMERICA; ACCOMPANIED BY HENRY A. FISCHER, PRESIDENT, FISCHER'S HOME BAKERY, INC.; AND EUGENE W. WILSON, FIRST VICE PRESIDENT, HARVEY'S BAKERY

Mr. QUINLAN. I thank you, Mr. Chairman.

I am William Quinlan, general counsel, Associated Retail Bakers of America. On my left is Mr. Henry Fischer of Caldwell, N.J., our president; and on my right, Mr. Eugene Wilson, our first vice president, of Valdosta, Ga.

I am delighted to hear you say, Mr. Chairman, that the retail bakers are not covered by the bill. Unfortunately, as I will point out specifically, we are covered to a considerable extent.

We greatly appreciate this opportunity to testify. I have a very short statement, it is a very specific one.

We are here to submit, respectfully, Mr. Chairman, that in retail bakeries and similar establishments, the price labeling and unit pricing required by the bill would be of no benefit but instead a detriment to consumers and to request a limited exemption for such establishments. We have for your consideration a specific suggestion as to the terms of the exemption.

The bill applies to packaged consumer commodities.

Most retail bakery foods are displayed and sold unpackaged in display cases and placed in a bag, wrapper or box only after the customer has made her selection. However, most retail bakeries prepackage a few of their products and this is the reason for our concern. The packaged products may, for example, be placed on top of a glass display case containing unpackaged products.

The bill applies to such a packaged commodity if it has been distributed in interestate commerce or the distribution of which affects interstate commerce.

Seldom do any retail bakery foods move in interstate commerce. However, their ingredients have been in interstate commerce, and we must prudently anticipate rulings that distribution of the finished products, therefore, affects such commerce.

With rare exceptions the retail baker bakes everything he sells. Even if he sells an occasional purchased item, he would handle only one brand of that.

The purpose of unit pricing is to give the consumer a basis for value comparison between different brands or sizes. There could be no such basis when there is only one brand, one size, and nothing to compare. Requiring labels or signs showing prices per ounce would be a useless burden to the retail baker and cost to the consumer.

To avoid that burden and cost where there could be no benefit to the consumer, we respectfully suggest that the bill should exempt:

The sale at retail of any packaged consumer commodity by the manufacturer thereof when no other identical or reasonably comparable packaged consumer commodity is sold, offered for sale or displayed for sale by the manufacturer at the same time and place.

That language would be appropriate in the context of the bill, which already uses the terms "sale at retail of any packaged consumer commodity," "reasonably comparable" consumer commodity, and "sell, offer for sale, or display for sale."

It would relieve other manufacturing retail establishments where unit pricing would be meaningless to the consumer, including retail candy and ice cream shops.

If the manufacturer-retailer offered two or more sizes of the same item or comparable items he would have to mark or display the price per ounce, but he would not be put through the unnecessary ordeal of doing so for all his other packaged items where there is only one of a kind.

The bill already exempts independent individual retail establishments with annual sales not exceeding $250,000. It would thus exempt most retail bakeries, but would fail to exempt many others, especially in these inflationary times.

I asked our executive vice president to give us an estimate of the approximate percentages of those exempt and not exempt under the bill as written and he informed me after study, although this is an estimate, that of our total membership, 69 percent have annual sales under $250,000 and therefore would be exempted by the bill as it now reads; 31 percent have annual sales over that amount and would be covered by the bill.

Any dollar volume exemption is inherently arbitrary and unjust but this one would be especially so as to retail bakeries and similar manufacturing retail establisments. They need an exemption related not to an arbitrary size standard alone but to the purpose of the legislation.

Senator Magnuson in announcing these hearings said:

The implementation of the automated check-out systems and the possibility of removal of item prices, necessitates our consideration of this legislation. * * * While the automated checkout equipment may offer some savings to retailers, these savings should not depend upon the consumer losing basic information which would happen without item prices and without unit pricing.

The Senator obviously was referring to supermarkets. Retail bakeries and other manufacturing retail establishments have no automated checkout systems.

In a report unanimously approved by our board of directors on April 26, 1972, which is relevant to the bill before you, our ARBA Committee on unit pricing stated in part that unit pricing in a retail bakery would be meaningless to the consumer because:

1. The retail baker does not have precise control over the weights and sizes of his products. Due to the hand operation of nearly all Retail Bakers it would be impossible to have uniformity. Example: the weight of a coffee cake may vary 1 to 2 ounces or 10 percent to 20 percent on a 10 ounce unit.

2. Most retail bakery foods are not made in any standardized shape, weight or sizes. No two Retail Bakers bake alike as to quality, size, formulation or shape of products. Example: A dozen of your glazed donuts may be lighter and even larger than a dozen of mine.

3. The great variety of products, the infinite differences in formulaes and make up, et cetera, make the comparison of retail bakery foods almost impossible, let alone the comparison of a unit price. Every retail bakery makes a tremendous

variety of products, 120 to 200 each week, and the variety varies by the week. Imagine the cost factor of trying to prepare and handle this number of labels.

The weekly variety of 120 to 200 items mentioned by the committee is more typical of larger multiple unit retail bakeries. A single unit retail bakery may offer as many as 500 to 600. Perhaps I should make it clear that I am speaking of the total number of varieties, unpackaged and packaged.

We respectfully submit for your record a copy of the complete report of that committee, Mr. Chairman. It is appended to my prepared statement.

More recently, on November 5, 1975, the Board also unanimously approved the proposed exemption we have submitted for your consideration.

Without benefit to the consumer, the bill would place a heavy if not intolerable burden and cost upon retail bakeries.

The retail baker is a handcraftsman, even an artist, as you can plainly see from his decorated cakes.

Quality and variety of products are his appeal to the consumer—variety, not uniformity or standardization—incomparability, not comparability. If retail bakers produced only a few, relatively plain and standardized items they could not compete with the mass-produced wholesale bakery products on the shelves of supermarkets.

Appendix A attached to my prepared statement will give some idea of the foods prepared in retail bakeries, although it is not complete or static and there are many varieties within those listed. On any given day a retail baker offers a myriad of such items, and of recipes, sizes, shapes, fillings, and toppings, differing from those of other bakeries, and he varies them from day to day, depending on the preferences of his customers, the season, the day of the week, the weather, and other influences on consumer acceptance.

To include in the bill an authorization of administrative exemptions would be no sufficient safeguard against counterproductive requirements. Federal regulation is becoming a sort of fire storm, with administrators vying against each other for more and more jurisdiction, more and more funds, more and more personnel, more and more power, more and more regulations, inspections, and reports. We have had much good and constructive cooperation with Federal agencies, but in these times there is little comfort or assurance in provisions for correcting legislative deficiencies through administrative action.

The fire storm of regulation is destroying competition, especially the competition of small business, and creating monopolies or oligopolies which will deny free choice and fair value to customers. We respectfully urge you not to feed the fire. Certainly it would be a major tragedy to add unnecessarily to the burdens and impair the competitive ability of the retail baking industry, one of the few kinds of vigorous small business still remaining in America.

Mr. Justice Douglas has stated:

> The growth of bigness has resulted in the ruthless sacrifices of human values. The disappearance of free enterprise has submerged the individual in the impersonal corporation. And when a nation of shopkeepers is transformed into a nation of clerks enormous spiritual sacrifices are made.

If the requirements of S. 997 are applied to retail bakeries their situation will be not unlike that of the art gallery portrayed in a Wall Street Journal cartoon on September 29, 1975, which we submit for

your record. With the display of oil paintings there is a sign reading "Unit Price: $3.20 per square inch."

The Associated Retail Bakers of America appreciates this opportunity to testify and urges your consideration of its proposed amendment to the bill.

We would be happy to assist you or your staff in any way possible.

Thank you, Mr. Chairman.

I have given you two illustrated articles about the bakeries of these gentlemen who are with me, so that you can better visualize the operations we are talking about.

At this time, Mr. Fisher and Mr. Wilson would like to make short statements.

[The attachments referred to follow:]

APPENDIX A

PARTIAL LIST OF PRODUCTS PRODUCED BY RETAIL BAKERS

BREADS

Black Forest Rye Bread
Bran Bread
Brioche Bread
Boston Brown Bread
Bun Bread
Buttermilk Rye Bread
Butter N'Honey Bread
Cheese Bread
Chese Rye Bread
Cherry Nut Bread
Christmas Holiday Bread
Cinnamon Bread
Cinnamon Twirl Bread
Corn Bread
Corn Top Honey Bread
Cracked Wheat Bread
Cracked Wheat Hearth Bread
Cuban Bread
Date Nut Bread
English Cottage Loaf Bread
English Muffin Bread
French Bread
Garlic Bread
Gluten Bread
Hearth Bread
Holland Dutch Bread
Holland Raisin Bread
Home-Made Bread
Honey Rye Bread
Italian Bread
Jewish Twist Bread
Nut Bread
Oatmeal Bread
Oatmeal Honey Bread
Old Fashioned White Bread
Orange Bread
Pantry Bread
Peanut Butter White Bread
Pizza-Brown 'N Serve Bread
Potato Bread
Potato Rye Bread
Pumpernickel Bread
Prune Bread
Quick Bread
Raisin Bread
Roman Meal Bread
Round Raisin Rye Bread
Rye Bread
Rye Cheese Bread
Salt Free Bread
Salt Rising Bread
Sesame Egg Bread
Sesame Seed Twist Bread
Snack Rye Bread
Sour Rye Bread
Swedish Rye Limpa Bread
Tomato Juice Bread
Vienna Bread
Vienna Salt Rye Bread
White Bread, Old Fashioned
Whole Milk Bread
Whole Wheat Bread
Whole Wheat Bread (100%)

MUFFINS

Almond Muffins
Apple Nut Muffins
Applesauce Muffins
Banana Muffins
Blueberry Muffins
Boston Brown Bread Muffin
Bran Muffin
Corn Muffins
Corn Sticks
Crisp Butter Muffins
Date Muffins
French Cinnamon Muffins
French Orange Muffins
Fruit Nut Muffins
Honey Muffins
Honey Rye Muffins
Oatmeal Prune Muffins
Orange Coconut Muffins
Pecan Muffins
Potato Muffins
Raisin Spice Muffins
Rhubarb Muffins

ROLLS—YEAST

Apple Cheese Rolls
Bialy Rolls
Butter Fluff Rolls
Caraway Seed Rolls
Cheese Butter Bits
Cloverleaf Rolls
Crisp Crusted Rolls
Dinner Rolls
Egg Rolls
Egg Shell Rolls
Frankfurter Buns
French Butter Crescents
French Dinner Rolls
French Pastry Dinner Rolls
Hamburger Rolls
Hard Rolls
Kaiser Rolls
Onion Rolls
Orange Cream Rolls
Pan Rolls
Paradise Rolls
Parker House Rolls
Potato Soft Rolls
Rye Rolls
Rye Onion Rolls
Soft Crust Rolls
Soft Dinner Rolls
Sour Cream Rolls
Tenderflake Rolls
Water Rolls
Whole Wheat Rolls

QUICK BREADS

Apricot Quick Bread
Banana Quick Bread
Chopped Apple Quick Bread
Cranberry Quick Bread
Date Nut Quick Bread
Fresh Orange Quick Bread
Fruited Orange Quick Bread
Rhubarb Quick Bread

SWEET YEAST UNITS—COFFEE CAKES

Almond Cream Coffee Cake
Almond Rings
Apply Butterscotch Coffee Cake
Apple Coffee Cake
Apricot Coffee Cake
Braided Ring
Cheese Ring
Cream Rings
Danish Butternut Coffee Cake
Danish Caramel Braid
Deep Butter Cake
Easter Rabbit
Fruit Coffee Cake
Harlequin Fruit Filled Coffee Cake
Heart Coffee Cake
Honey Nut Coffee Cake
Horse Shoe Coffee Cake
Lace Coffee Cake
Orange Butter Coffee Cake
Orange Butter Pull-Apart Coffee Cake
Plantation Nut Ring
Raisin Rings
Rich Butter Round Danish
Ring Coffee Cake
Round Ring Rooster Comb
Sunflower Coffee Cake
Tutti Frutti Coffee Cake
Vienna Coffee Cake

SWEET YEAST UNITS—FRIED

Bismarcks
Doughnuts
Jelly Delights
Long Johns
Pershings
Potato Doughnuts
Skookum Doughnuts

SWEET YEAST UNITS—ROLLS

Almond Crescents
Apricot Logs
Battle Ship Rolls
Bear Claws
Bunker Hill Rolls
Butterfly Rolls
Celestial Rolls
Cinnamon Rolls
Coconut Squares
Danish Twists
Diamonds
Figure 8 Rolls
Filled Flakies
Filled Pockets
Finger Twist Rolls
Horse Shoes
Knot Rolls
Kolackys
Lenten Butternut Rolls
Palm Leaf Rolls
Pecan Caramel Rolls
Pin Wheels
Pretzel Rolls
Orange Rolls
Schnecken
Rose Buds
Snail Rolls
Tea Tasties
Twist Rolls
Wagon Wheels

FILLINGS, GLAZES, TOPPINGS—FOR COFFEE CAKES AND ROLLS

Almond Butter Crunch Topping
Almond Fillings
Almond Nut Fillings
Almond Nut Streussel
Brittle for Pizza Coffee Cake
Bunker Hill Roll Spreads
Butter Filling
Buttercream Filling
Butternut Topping
Butterscotch Filling, Cooked
Butterscotch Filling or Topping
Butterscotch Icing
Butterscotch Mix
Butterscotch Paste
Butterscotch Syrup
Caramel Cream Coconut Topping
Caramel Dressing
Caramel Spreads for Bunker Hill Rolls
Cheese Fillings
Cherry Nut Filling
Chewy Butter Topping
Chocolate Streussel
Cinnamon Filling
Cinnamon Streussel
Cinnamon Sugar Mixture
Coconut Macaroon Filling
Coconut Mixture for Tubing
Coconut Topping
Cottage Cheese Fillings
Cream Filling (Buttercream)
Danish Butter Filling
Date Pecan Filling
Deep Butter Cake Dressing
Edelweiss Filling
Filbert Filling
Glaze, Doughnut
Glaze, Fruit
Graham Cracker Filling
Heart Coffee Cake Filling
Honey Coffee Cake Topping
Honey Nut Filling
Honey Pecan Topping
Hungarian Coffee Cake Sugar Mix
Lemon Streussel
Nut Crisp Topping
Old Fashioned Stollen Filling
Orange Butter Topping
Orange Coconut Sunkist Topping
Orange Filling
Orange Sugar
Paradise Topping, Filling
Peanut Butter Filling
Pecan Topping
Raisin Nut Filling
Sour Cream Filling
Sour Cream Topping
Southern Pecan Filling
Streussel
Streussel, Almond Nut
Streussel, Chocolate
Streussel, Cinnamon
Streussel, Lemon
Streussel, White

DOUGHNUTS—CRULLERS—MISCELLANEOUS FRIED

Angel Wings
Crullers, Honey
Doughnuts, plain yeast
Doughnuts, Old Fashioned Coconut
Honey Crullers
Italian Pastries
Old Fashioned Coconut Doughnuts

PASTRIES

Almond Pecan Slices
Angel Wings
Apple Slices
Cream Cheese Pastries
Date Squares
Italian Pastries
Puff Pastry Dough #1
Puff Pastry Dough #2

PUFF PASTRY

Apple Turnovers
Cheese Twists
Cream Rolls
Filled Squares
Fruit Slices
Glazed Bars
Horse Shoes
Palm Leaves
Patty Shells
Napoleons
Pretzels
Salt Bars
Windmills

PIES

Angel Fluff Pie
Apple Blossom Pie
Boston Cream Pie
Cream Pie Filling, Lemon, with milk
Cream Pie Filling, Lemon, with water
Cream Pie Fillings—Chocolate, Coconut, Fruit, Nut, Vanilla
Crust, Tender, Crispy
Pecan Tart or Pie Filling
Pumpkin Chiffon Pie
Sack Apple Pie
Stock for Fruit Pies
Strawberry Pie with Whole Berries
Taffy Apple Pie

MUFFINS—POPOVERS

Aunt Myrt's Blueberry Muffins
Harvest Spice Muffins
Pineapple Bran Muffins
Popovers

CAKES

Banana Praline Cake
Banana Roll
Boston Cream Pie
Butter Pound Cake
Butter Sponge Cake
Charlotte Russe
Chocolate Spice Banana Cake
Dobasch Torte
Double Fruit Torte
Four Seasons Fruit Ring
French Strawberry Roll
German Chocolate Cake
Golden Chiffon Layers
Lady Fingers
Maysville Fudge Cake
Old Fashioned Brownie Cake
Orange Nut Loaf Cake
Pineapple Orange Delight
Shortcake, Batter (Biscuit Type)
Shortcake, Biscuit
Spumoni Cake
Toasted Coconut Chocolate Cake
Tutti Fruitti Angel Puffs
White Chocolate Cake

CAKE ICINGS, FILLINGS, TOPPINGS

Banana Icing
Bavarian Cream
Bavarian Cream Icing
Boiled Icing
Butter Cream, Fondant
Butter Cream, French
Butter Cream, Rich, Light
Butterscotch Fudge Icing
Butterscotch Syrup for Icing
Chocolate Fillings
Chocolate Fudge Icing
Chocolate Icing
Chocolate Malted Milk Icing
Custard Fillings
Decorating Icing
Fondant Icing, Cherry
French Cream
French Custard
Fudge Icings
German Chocolate Cake Icing
Homogenized Cream No. 1
Homogenized Cream No. 2
Praline Topping
Strawberry Filling
Toasted Coconut Chocolate Icing
Vanilla Fudge Icing
Whipped Cream, Chocolate
Whipped Cream, Chocolate Rum
Whipped Cream, Malted
Whipped Cream, Mocha
Whipped Cream Toppings

COOKIES—SNACKS

Almond Butter Spritz
Arizona Date Bars
Brandy Snaps
Butter Slices
Butter Spritz
Butterscotch Oatmeal Cookies
Cheese Bits
Cheese Crisps
Chewy Nut Delights
Chinese Almond Cookies, Famous
Chocolate Chip Butterscotchies
Chocolate Pecan Rocks
Coconut Chocolate Bars
Coconut Chocaloate Bars
Ice-Box or Cut-Out Cookies
Lady Fingers
Lemon Crisp Cookies
Mediterranean Macaroons
Nut Horn Cookies
Oatmeal Ice-Box Wafers
Praline Cookies
Raisin Filled Cookies
Rum Wafers
Southern Nut Drops
Swedish Dreams
Toasted Oatmeal Ice-Box Cookies
Walnut Clusters

CHEESE CAKES

California Type Cheese Cake
Chicago Cheese Slices
Crumb Mix
Rich Party Cheese Cake
Whipped Cream Cheese Torte

ASSOCIATED RETAIL BAKERS OF AMERICA, REPORT OF THE COMMITTEE ON UNIT PRICING

We are alarmed at the amount of interference and controls being proposed for small businesses. The tragedy is that everything is being proposed on behalf of, and in the interest of the "Consumer". We in the Retail Bakery Business, whether

we are a "mama-papa" shop, a Multiple Unit Bakery (having a central bake shop and selling through our own "cold spots"), or an Instore Supermarket Bakery, are particularly Consumer minded. We must be, for we have to persuade the housewife and the consumer to go out of their way to patronize our businesses.

What better proof can we offer to the Congress and the various state legislatures that the Retail Baker should be exempt from any and all provisions of any proposed legislation on Unit Pricing? Most of our bakery foods are displayed in cases, and packaged only at the time of sale. A few items like bread, picnic buns, cookies, muffins, etc. may be prepackaged for the customers' convenience.

The purpose of unit pricing is to give the consumer a basis on which to judge the relative value of similar products. The proposed laws would require not only a total price sticker, but the price per ounce.

Most retail bakeries are known as "service" stores. Merchandise is displayed in enclosed floor cases, and bread is usually in a wall case behind the salesgirls. There is no opportunity for the consumer to pick and choose her loaf because of a label.

Unit pricing would be meaningless to the consumer because:

1. The retail baker does not have precise control over the weights and sizes of his products. Due to the hand operation of nearly all Retail Bakers it would be impossible to have uniformity. Example: the weight of a coffee cake may vary 1 to 2 ounces or 10 percent to 20 percent on a 10 oz. unit.

2. Most retail bakery foods are not made in any standardized shape, weight or sizes. No two Retail Bakers bake alike as to quality, size, formulation or shape of products. Example: A dozen of your glazed donuts may be lighter and even larger than a dozen of mine.

3. The great variety of products, the infinite differences in formulas and make up, etc., make the comparison of retail bakery foods almost impossible, let alone the comparison of a unit price. Every retail bakery makes a tremendous variety of products, 120 to 200 each week, and the variety varies by the week. Imagine the cost factor of trying to prepare and handle this number of labels.

4. The consumer is in a captive bakery by her own choice; other brands are very seldom available for comparison.

5. She doesn't pick up the loaf of bread until she has bought it. (Of course, she could change her mind for a wheat loaf rather than a white loaf, etc.)

6. She knows that her baker stands behind his products and if she is dissatisfied she can return the product for her money.

7. Again, the consumer is shopping at the retail bakery in confidence and by her own choice.

Miss Eileen Taylor of the Marketing Economics Division of the U.S. Department of Agriculture in a speech given in Washington, D.C. on February 23, 1972, said:

"Opinions on consumer use and understanding of unit pricing and the costs for retailers very widely. In preparing these remarks, I looked through the materials I have gathered on unit pricing during the last three years. I found almost as many evaluations of costs and use as I had clippings. One reporter, who said she had interviewed shoppers at a Washington, D.C. chain store, found that shoppers were very enthusiastic. A survey of shoppers in New York stores immediately after the city's dual pricing law took effect found that 70 percent of the shoppers interviewed were aware of the system, 43 percent fully understood it and 18 percent said they had used it.

"A Supermarket News article outlined the finding of interview at a Boston based chain where 500 customers who had shopped at unit pricing test stores were interviewed. According to a spokesman for the company, 67 percent of those questioned said they did feel a need for price-per-measure information. However 'only 24 percent of all people interviewed were aware of the dual price experiment in the stores, and *only 13 percent* could name one or more of the test items'."

Miss Taylor further said:

"Another study, conducted by a university research team to evaluate a unit pricing experiment in six stores in Toledo, showed 'less than a third of customers using the system, higher use among the more educated and affluent, and negligible changes in buying patterns'.

"Costs to the store were examined closely. The general conclusions seem to be that, while there are costs involved in unit pricing, these may be manageable for large, multi-store operations with substantial sales volume *but COULD BE CRIPPLING FOR SMALLER STORES.*"

"Now, where does this leave us with regard to unit pricing? Confused? I was—but I tried to draw a few conclusions from the six-inch stack of papers on my desk.

"First of all, some consumers do use and understand unit pricing. While these shoppers are a minority of those who have been interviewed, they are a substantial minority. And the number of shoppers who use unit pricing is increasing and may continue to do so, as the concept becomes a routine part of grocery shopping.

"It does cost a store something to install and maintain unit pricing. Per store estimates range from next to nothing to over $2,000 a year. In fact, the costs probably do vary. They may be offset to some extent by savings due to better inventory control. And, if consumers like having unit pricing, some of the cost must be measured against consumer satisfaction.

"A store that does not have access to a computer would find the time, labor, and equipment cost of installing unit pricing prohibitive. Most of the legislation introduced so far at both Federal and State levels has recognized this fact and provided exemptions for smaller store operations."

It would appear that the supermarkets are attempting to use Unit Pricing as a sales gimmick, much as they did trading stamps. The first to advertise the novelty of Unit Pricing advertised it to the hilt. As other chains fell in line, the benefits were lost. One by one, the markets dropped trading stamps to pass on the savings to the customers.

Again, we wish to assert in as convincing language as we can, that Unit Pricing will only be effective in some grocery items where like can be compared with like! "Jumbo, colossal, large, super large" and ad infinitum may be compared by weight and cost per ounce on soap flakes or detergents, but even when it comes to ketchup, the packer makes all the quality difference in the world. We can price a 10 oz., a 12 oz., a 14 oz., a 16 oz., or even a 20 oz. bottle of a packer's ketchup at various supermarkets and the price per ounce might be helpful. However, no one can compare our quality, our price or the weight of our donuts, Danish, cakes, or kuchens with those of bakeries A, B, or C and have a fair comparison.

We realize that most retail bakers are very local in their business; they are small operators who keep busy running their shops. They seldom take time to read the bulletins from headquarters or from ARBA's Washington office. But they need the same protection from these devastating and disastrous regulations and laws that we need. Every MUR Baker started with one little store. These bakers are so busy they don't realize the dangerous regulations about to fall on them, the cumbersome burden of government reports and regulations.

Let us reiterate, the retail baker is VERY CONSUMER oriented. He must be, for his very business life depends on pleasing the consumer. But let the lawmakers beware of foisting any further burdens on the little business man, particularly the baker. Unit Pricing might just be the straw that breaks the bakers' backs. Then what has been accomplished?

Every member of ARBA should rise up, and with one big "NO!" We should let our legislators know how we feel about Unit Pricing. It's too late to cry after the laws are on the books!

We hope that any Unit Pricing laws will exempt the Retail Baker, and other consumer oriented small businessmen.

Respectfully submitted.

THOMAS J. GRACE, JR., *Chairman,*
Grace Brown Bakery, Fenton, Mo.
JOSEPH C. BUSKEN, JR.,
Busken Bakery, Inc., Cincinnati, Ohio.
E. E. "JOHN" CLARK,
Scott Bakery, Ft. Wayne, Ind.
ARTHUR E. PILE,
Hough Bakeries, Inc., Cleveland, Ohio.
JOHN JUBELT, *Ex Officio,*
Jubelt's Variety Bakeries, Mount Olive, Ill.

This Report was reviewed by the Board of Directors and approved at the meeting of the Board in Denver, Colorado, on April 26, 1972.

RICHARD C. GOHLA,
Executive Vice President and Secretary,
Associated Retail Bakers of America.

Senator Moss. Thank you, Mr. Quinlan. I assure you I don't want to see a unit price on the creampuff I buy from the retail bakery nor any stamped price on it. We did think we had drafted this so the retail bakery would be exempt, because quite obviously they don't stock a lot of competitive goods.

We are talking about the ability of the shopper, when he buys something, to know what the price is as compared to these others, made by other manufacturers, or processors, and make a decision. I can't conceive of this being applied to a retail bakery, but we are glad to consider what you have suggested to make sure we are going to achieve that in the legislation.

I will be glad to hear from either Mr. Fischer or Mr. Wilson if they have any comments on the bill.

Mr. QUINLAN. I would ask Mr. Fischer to speak.

Mr. FISCHER. Mr. Chairman, my name is Henry A. Fischer and my wife Elsie and I own and operate Fischer's Home Bakery in Caldwell, N.J.

We bake fresh bakery foods; we sell them fresh; and we face our consuming customers over the counter every day where they can contact the manufacturer if they ever have a complaint.

At our bakery our packaged products are mostly for top-of-counter display. I have a few snapshots with me here, if you wish to see them.

If I and other retail bakers must discontinue packaging any of our bakery foods, our sales would be reduced greatly. We prepackage about 20 percent of our products and the effect would be serious.

We are not in a position to have printed labels and packages because our variety is too great and we can only purchase such things in quantities of 10,000 minimum. Having to unit price baked foods along with all of the added labor, this would be an added cost to the consumer with no added benefit.

Unit pricing would bring untold hardship to the retail baker who already is confronted with about every government agency from national to State, to county, to local.

According to our New Jersey State Bakers Association, approximately 20 retail bakeries closed during the past year because of high operating costs.

As president of the national association, I appeal to you to adopt the amendment presented by our general counsel.

Senator Moss. Well, thank you, Mr. Fischer. We will consider carefully what has been proposed.

Mr. Wilson, do you have any comments you would like to make?

Mr. WILSON. Yes, Mr. Chairman. I am Eugene W. Wilson from Valdosta, Ga., where I operate a retail bakery in a supermarket.

I also lease space in three other supermarkets where I operate my bakeries but in no way am I connected with the supermarket other than just leasing space.

We do hot-from-the-oven fresh daily baking. We face our customers, we can explain to our customers any questions they need to know about our products.

My concern with this bill is that after it is passed into law we will be faced with the law. We package in our bakery some of our products, but the purpose of our packaging the products is not to give them a wholesale appearance, because we don't want that, we want a retail image. It is so that we can merchandise them and display them on the top of our showcases.

We can build beautiful displays for customers that will have an eye appeal and sell our products. We feel that by putting a label on the product it takes away from the retail image we want to create.

We don't feel it is necessary, we feel it is just an unnecessary cost to be passed on to the customers.

Our bakeries are already crowded with the ingredients and we don't have room for excess labels that don't do a job.

I was appalled in reading the bill to see the civil penalties that could go along with violation of these things. $10,000 a day fine.

We just recently in Valdosta had three of our well-known bankers that were caught for embezzling over $200,000 and they were given a 1-year's suspended sentence for that vast amount of money.

I can't understand how in the world somebody could put in a law that would have a penalty of $10,000 a day for a baker not putting a label or his price on the product, when he has a salesgirl behind the counter to answer that question.

I am not against unit pricing as a person. I think when it is needed, it is needed. I think the price on that can should be there. But we are a specific business that it doesn't apply to.

I just ask and urge that this committee make sure if this bill does pass that we will really be exempt.

Thank you, Mr. Chairman.

[The statement follows:]

STATEMENT OF EUGENE W. WILSON, HARVEY'S BAKERY, VALDOSTA, GEORGIA; FIRST VICE PRESIDENT, ASSOCIATED RETAIL BAKERS OF AMERICA

Mr. Chairman, my name is Eugene W. Wilson. I own and operate a retail bakery and three other outlets.

My bakery and outlets are located inside supermarkets from which I lease space, but mine is a completely separate business like any other retail bakery, the same as if I were in a separate store. I bake, display, sell and collect for my own products. My retail bakery foods are nothing like the wholesale bakery products sold by the supermarkets and the supermarkets have nothing to do with the operation of my business.

My products are baked fresh daily and sold directly "face to face" to my customers.

We do "package" some products, but only to allow us to merchandise and display them on top of our show cases and in some open display cases.

I have built my business over the past 16 years on quality bakery foods that have a homemade appearance and taste. These are beautifully displayed with a flair giving my customers the true retail image. This is very important to a *proud* handcraft retail bakery. We as retail bakers do not want our products to take on a wholesale appearance.

Our sales people are there to talk and explain directly to our customers all about our goodies.

Unit and item pricing gives absolutely *nothing* to the consumers in a retail bakery, except another cost to pass on to them. It's like serving a meal to someone and labeling all the items on the plate.

I urge this Committee to exempt the retail bakery from this bill.

Please, let the retail baker keep the one thing he needs to survive—A True Retail Image!

Thank you, Mr. Chairman.

Mr. WILSON. I also have some pictures of the coffee cakes on our showcase.

Senator MOSS. You are making me hungry by giving me these pictures.

Mr. WILSON. This is the way we display the products so the customer can pick them up and look at them. We feel this is important, but we don't want to put a label on.

Mr. QUINLAN. Mr. Chairman, I have one closing comment. I am very happy to hear you say, Mr. Chairman, that it is not the intent to cover retail bakeries in this bill.

I want to state as positively as I can that they are nevertheless covered as the bill is written. And I hope you will give serious consideration to the amendment that we have offered.

To emphasize that, I would like to state that we have also been told that S. 641, the food surveillance bill, concerning which we appeared before you on a previous occasion, did not cover retail bakeries.

Mr. Chairman, if anyone will carefully read our complete analysis of the retail exemption in S. 641, I think it will be plain that retail bakeries also are covered in that bill as written.

Now we must live with the law, Mr. Chairman, as it is enacted. We cannot resort to assurances from the committee bench, obviously. When the law goes to court and we have to go with it, we must live with it as written. I want to state to you as positively as I can, and I think our analysis of both of the bills will bear this out, that retail bakeries are covered by them as written, with the exception, in reference to S. 997, of those with annual sales under $250,000.

We thank you very much, Mr. Chairman, and we hope you will give serious consideration to our proposed amendments.

Senator Moss. We will indeed and we thank you gentlemen for your appearance here.

We will now hear from Mr. Clancy Adamy, president, National Association of Food Chains.

STATEMENT OF CLANCY ADAMY, PRESIDENT, NATIONAL ASSOCIATION OF FOOD CHAINS; ACCOMPANIED BY JAMES STELL, PRESIDENT, LUCKY STORES, INC., OF CALIFORNIA; AND THOMAS ZAUCHA, DIRECTOR OF PUBLIC AFFAIRS

Mr. ADAMY. Mr. Chairman, we would appreciate it, Mr. Stell and I, if you would permit the introduction of the full statement for the record, and we will make a short statement.

Senator Moss. Thank you for that. We will include the statement in full, and listen to whatever you have to say by way of highlighting, summary or emphasis.

Mr. ADAMY. Let me start with Mr. Stell, president of the Lucky Stores, please, sir.

Senator Moss. All right, Mr. Stell.

Mr. STELL. Thank you. I will try to be brief. We started our first installation of an optical check scan back in January of this year in one of the food departments of the department store we have.

We thought this particular thing was important inasmuch as it was the first system development change in the checkout operation since 1933 when the cash register was first invented.

We took about a year developing the system and the programs that made the whole thing work. And in response to a lot of consumer groups, we did feel that we were obligated and we spent 6 weeks prior to the installation talking not only to our own customers per se, but our employees, the orientation program that was given to them to make them aware of what would be happening, which obviously was

a marked departure, marked in the sense that we would be eliminating price marking.

So this startup that we had we figured about 30 days to shake it down, but it actually went much smoother than that, has now run some 10 months without any incident at all to speak of.

Both sales and customer counts have continued to increase, and in response to one of the earlier statements here, we do have 30 other foodstores within a 3-mile perimeter of this particular food unit.

That means that there are a large number of choices to be made by these people whom we are serving. All of those other 30 stores, incidentally, have continued to price mark the individual items.

We have sort of reached two conclusions. One, the people are certainly intelligent enough to make their own choices about spending their own money without a great deal of advisors or protectors watching over them.

We think also a thing that frequently has been overlooked in the analysis of these customer profiles is this matter of confidence, that is, confidence between the customer and our retailers themselves.

That of course is established only through actual day-to-day business transactions when we are dealing on a one-to-one basis within a retail foodstore.

Using this entire new concept, we felt an evolution might well be out there in the future for us, so what we did was to tinker around with some of these gadgets, develop a bunch of new ideas, and then we developed and have just opened in San Antonio, Tex. two new stores that are totally new to the food concept. We have a third one opening this week.

These are sort of a takeoff of some of the European concepts, they are basically warehouse type stores, all designed with every known productivity kind of equipment we could get.

Of course at the heart of it is the optical scanning system, in which we are not using price marking. These of course were designed to offer the customer food at as low a price as possible, and this was done only by reducing a lot of the handling costs within that store.

The two openings were extremely successful. In response to one of Senator Hartke's questions as to the pricing impact, the passing on these savings, we found upon opening that our prices generally speaking were 15 to 20 percent lower than the normal competition in the city of San Antonio.

We are optimistic about this kind of foodstore, because we do believe, looking at the consumer studies that have been provided, that we are responding directly to them. They are looking for value, for an awareness of price, and we believe the shelf tag price meets that point.

I did include, as Clancy mentioned, we submitted some written material and there are two sheets that describe these things. Since they were so new and so far away from the conventional store, we did not call them Lucky, we created a new name and they are called "Magnamart". There are three of them, as I mentioned. We think this matter of business decisions in adopting new technology questions, experimenting with new techniques, or breaking away from some of the traditional concepts are not made without considerable thought, and I am afraid some of the people who have never made some of these

business decisions fail to appreciate the significance or the possible consequences of this deciding line between these things.

Our biggest gamble in this is the possible loss of customer patronage.

One other point I think should be made involving business decisions. We believe we should strive to create an atmosphere that encourages business to develop through ideas and to experiment with new concepts. This leadtime is really quite long, and once an idea has been firmed up, we have committed funds and personnel to it, it is extremely expensive and wasteful to abandon. And if we see a particular State that might discourage progress, we can sometimes move that program to another State.

If the Federal Government, however, restricts or discourages progress, then we believe the whole country would suffer.

We also find many of the foreign governments have increasingly supported new programs in their country designed to increase productivity and offering better benefits to the consumer. In this matter of legislation, we have already witnessed a very marked slowdown in the scheduled implementation of those optical scanning checkouts due to the uncertainty over some of the possible moves on legislation with mandatory price marking.

Initially we felt the transition period for most of the companies would really have covered several years, even when there was no concern over legislation. No mass conversions are economically feasible in view of the large investments we have in our gear, most of which will have to be abandoned.

We do obviously appreciate your giving us the opportunity to talk about this, but our concern as a company and as a member of the food industry is directed toward providing all of the consumers in America with food at as low a price as possible.

There are something over 200 million consumers living in a 5 million square mile area of our country and at this particular moment only about 50,000 of those consumers who live in about a 12-square mile area around three stores that have optical scanning without item pricing have had any actual experience in day-to-day shopping under this new concept.

Wage costs in many areas of the country today are approaching 16 cents per minute. There is no question that they will continue to increase. The only way we as food retailers have to slow the rise in food prices to to achieve greater productivity and to achieve that we must invest in equipment such as this electrical scanning terminal.

In summary, I feel that there is a tremendous opportunity for us to serve the consumer more efficiently if we are not faced with Government restrictions in this experimental period.

Our experience with the new checkstand operation in serving over 10,000 customers a week during some 10 months has been particularly rewarding. Our development of this new exciting foodstore made possible by this new technology offers even greater future benefits, if we are permitted to plan and operate in a free environment.

Thank you, Senator.

Senator Moss. Thank you, Mr. Stell. We appreciate your statement.

Mr. Adamy. Senator, I am Clancy Adamy, president of the National Association of Food Chains, a Washington-based trade association representing about 200 food-distribution companies with stores located in all 50 States.

Indeed, with the development of the Universal Product Code and the automated scanner checkstand, the supermarket industry knows very well that it has a responsibility to respond to consumer concerns about this important technology.

It is understandable that there will be public uncertainty when computer equipment is placed in a foodstore, especially during a period of rising prices. Thus, companies who are experimenting with the new system have set up special consumer panels and have developed consumer dialogs so as to learn those areas where their customers have reservations and questions.

It should also be noted that a consumer representative has been a very active member of the Public Policy Subcommittee of the UPC Ad Hoc Committee and has communicated consumer concerns about issues such as item price marking as well as current research projects, that will measure consumer reaction to different aspects of the system. In other words, the industry is sincere in its efforts to respond to consumer questions and concerns.

In that same context, I welcome the opportunity to discuss the status of the UPC system with you and to answer any questions that you might have, because only through an open dialog can we hope to dispel some of the misconceptions that have arisen, especially in the political arena, as well as build confidence in an innovation that should result in significant benefits to the supermarket shopper as well as to the food-distribution industry.

Therefore, in the next few minutes I would like to clarify some of the points that have been raised in these 2 days of hearings and place the price-marking question in its proper perspective.

However, I would like that my complete statement be included in the hearing record.

At the outset, it must be emphasized that the question before this subcommittee is not whether the Universal Product Code and the electronic checkout stand is an important technological advancement that should be developed, for the public record is clear on this question. In testimony on November 3, 1975, Congressman Ford of Tennessee stated: "I am not opposed to the UPC at all, the scanner machine."

Ellen Haas of the Maryland Citizens Consumer Council also testified that:

> Let me underscore that we are neither opposed to the advancement of technology nor to the advent of the computer-assisted checkout system. Rather we share the food industry's enthusiasm that this technology, if developed with proper safeguards, could bring benefits to all who participate in the marketplace.

And in a speech before the National Food Editors Conference on October 9, 1975, Carol Foreman, of the Consumer Federation of America, qualified that, "We do not oppose the electronic system."

Rather, the question that you must decide is whether legislation that would require the selling price to be placed on every packaged consumer commodity is necessary or desirable.

And to this question the National Association of Food Chains submits that S. 997 is premature, regressive legislation and not in the best interests of consumers.

With that background, how many companies are currently testing the scanner equipment? Mr. Chairman, there are over 200,000 foodstores in the United States, and the scanner has been installed in only 36 stores.

And it is significant to realize that only 6 of the 36 stores using the scanner are experimenting with no price on the package.

It should be noted also that three of these six stores are classified as "warehouse food centers," where typically prices would not be marked on individual items regardless of the checkout method.

In other words, Mr. Chairman, I fail to see the wisdom in passing legislation because 3 conventional supermarkets out of 200,000 foodstores have installed a scanner system and are currently testing this system with a diffierent pricing system.

But let the record show that the supermarket industry firmly contends that the consumer must be provided with an accurate price description at the point of selection.

Thus, in terms of mutual goal, there really isn't any debate. Everyone agrees that the customer must know the price at the time the product is selected. I would emphasize further that there have been no policy decisions that would universally exchange one pricing system for another.

Rather, all the supermarket industry has asked for is the opportunity in these early stages of use to test what could be a more efficient and useful system of price identification.

For example, what are the economic benefits from a system of shelf marking? In a trend of skyrocketing operating expenses where labor costs have now increased to 67.28 percent at the retail level shouldn't the question by explored?

How effectively can consumers use a shelf marking system compared with the traditional system? And will a new pricing system enhance the use of unit pricing and encourage comparative shopping? Also, what impact will the descriptive receipt tape have on comparative shopping?

The only way that these important questions can be answered is through a cooperative testing program with consumers in the marketplace. I regretfully submit that any group that chooses to follow a political path of promoting mandatory legislation to restrict such experimentation is acting prematurely and not in the interest of the consumer.

Ultimately, this question is one that can and should be decided in the marketplace.

A retailer's method of providing price information is established and changed depending upon the type of store operation, the store's success, and the needs of the customer. And as the Utah Retail Grocers testified on November 3, "* * * consumers have benefited from this flexibility."

Currently, there are numerous packaged consumer commodities such as gum, candy, produce, baby food, dairy items, soft drinks, frozen concentrates, bakery items, advertised specials, and wine or beer, that are not individually price marked. These items vary from company to company, but I would suggest that even if you walked through Mr. Montesi's stores, you would find products without individual price markings.

S. 997 would eliminate the flexibility that customers and supermarkets now enjoy and would impose additional costs on food retailers for pricing commodities that weren't previously item priced.

In addition, S. 997 would literally destroy the concept of the warehouse distribution store where customers have gladly marked prices on individual items in return for lower food prices.

And I submit that these questions can't be resolved by granting exemptions to certain categories. The proponents of legislation have made their position clear that "individual price marking of consumer commodities is a nonnegotiable, absolute consumer right."

But before you finalize your thinking on the question, I would ask that you review the research surveys on the consumer's reactions to the system and the pricing issue that have been completed and are currently underway which I have included as part of my statement. Second, I would ask that on your next visit to Sears, Wards, Hechinger's Hardware, Dart Drug, or McDonald's, that you note the fact that all packaged consumer commodities are not individually price marked.

But third, and most important, I would invite you and the members of the subcommittee to visit a store with scanner installations so you can see firsthand the system in operation, the improved shelf tags, the descriptive receipt tape, the reaction of the customers, and the reaction of the employees.

And that brings us to another important question of how an alternative pricing system would impact labor. Please note that on this specific question, Mr. Housewright, of the retail clerks testified before this subcommittee that, "Mandatory price marking would have but a marginal effect upon employment."

And we certainly agree. There is no question that a change in the pricing system would impact the function of individually stamping every item.

Consider, however, that scanning equipment will be installed in two types of stores; (1) new supermarkets, and, (2) older stores in need of renovation where the current equipment has depreciated.

In the first instance the opening of new stores provides the opportunity for hiring more people resulting in a favorable impact on the labor market.

And in the second case, when a food chain decides to remodel an older store with new equipment, it will at the same time expand the operations of that store, for example, by adding new service departments in anticipation of a higher sales volume. In other words, new stores and new service departments mean additional employment opportunities.

Mr. Chairman, the historical performance of this industry is absolutely clear that the transference of functions will not adversely impact the work force. In 1951, the supermarket industry employed 881,000 people and in 1975 that number has grown to over 1,800,000.

Finally, Mr. Chairman, S. 997 also would require mandatory unit pricing.

NAFC would oppose the adoption of any legislation that would make unit pricing mandatory.

Over 50 percent of the supermarkets in this country are now providing unit pricing to their customers. This percentage will continue to grow. And the development of the universal product code electronic checkstand technology has already resulted in improved shelf marking which will extend unit pricing to even more markets.

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And with the improved shelf sticker which has larger figures and is tamper proof, consumers will be able to make better use of unit pricing.

Walter Davis of the retail clerks agreed with this point in a recent radio dialog with Tom Zaucha of my staff.

Stressing the point that the price information on the new shelf tags is much more visible than the price on the individual item, Mr. Zaucha asked Mr. Davis, "Wouldn't it in fact be easier for a consumer, especially an older consumer, to use unit pricing under this new improved shelf-marking system, rather than relying on an item pricing system?" Mr. Davis responded, "I wouldn't argue that for a minute. I think, for example I'm very proud of the work that Giant has done in this field. I think that their two-color shelf marker is excellent, and you know, it's just a shame that we've had to put up with this for as long as we have until we get some ingenuity and develop a better technique."

In summary of the point, the marketplace will continue to provide the consumer with the opportunity to utilize unit pricing as a comparative shopping tool on a voluntary basis.

In conclusion, our early experimentation suggests that consumers are pleased with the speed and accuracy of the UPC scanner system. They also are impressed with the itemized receipt tape.

The survey results would suggest that the item price equal shelf price issue is an open one that should and probably will be settled by the consumer in the marketplace. The results certainly are not representative of the absolute position taken by some organizations who have opted for government regulation rather than consumer research.

Testimony presented by the three companies who are testing the equipment with a shelf-marking system reveals that customers continue to shop at their stores despite the fact that there are numerous alternative supermarkets where they could shop.

There are those who would respond by saying that consumers are being attracted by the luster of a beautiful new store. They fail to mention, however, that the Marsh store in Troy, Ohio, and the Gemco store in California were not new operations when the pricing experiment went into effect.

And as we all know the luster of something new soon becomes dull with time so that the will of the consumer in the marketplace on such an important question as price information will prevail.

The industry agrees emphatically that price information is the customer's right and that an accurate price description must be provided at the point of selection. But the manner in which that information should be provided is not a question that should be answered through legislation.

Senator Moss. Thank you very much. We will of course read carefully the full statement as we consider our record.

You indicate you think this legislation is somewhat premature because there hasn't been enough experimentation yet.

When do you feel that there will be sufficient experimentation to render a judgment?

Mr. Adamy. That is a very difficult question to answer, Senator, but let me say this: If we were to install one a week and if we were to presume it would take a matter of 5, 6, or 7 months for an individual reaction, I would suggest to you that we are talking in terms of 1 to 3 years before there will be adequate knowledge about it.

Remember what we are proposing, Senator, is that we believe it is possible that there may be a better system for price information than we now have. Therefore you first of all have to get it in the shop and running adequately and well, without bugs.

Second, there has to be a comparison between the current system and that system. This experimentation underway—as you know, we expect to submit to you from a local company, Giant Food, the first such report early next year. But again that is too small and it doesn't really prove for 200 million Americans that it is right, and experimentation should continue for some longer period. But I would suggest that we are prepared to share with you as rapidly as it is accrued any knowledge that is gained, does it provide a better price information system for the consumer.

Senator Moss. Last year at our symposium, McKinsey and Co. presented data concerning the cost savings of an automated system.

Has any of the experience to date matched the cost savings projected by McKinsey?

Mr. ADAMY. There have been no further published documents, Senator, but my general knowledge, from member companies who have installed equipment, is that their current experience is matching that projection. I am looking at Mr. Stell, who is one of those companies to be sure he follows this.

But, yes, I believe all of the experience has matched that, and it looks like it will be economically viable.

I would add for your information that most of the companies that have installed them are now installing their second one.

Senator Moss. What is the cost of increasing shelf-marking accuracy to 100 percent? Does this equal the cost of item price marking?

Mr. ADAMY. I don't think you can make a comparison with unit pricing. But remember increasing shelf-marking accuracy to 100 percent is literally impossible. The good Lord has provided that we are unfortunately required to hire all of our people from the human race and that would entail the elimination of all human error, which is not possible.

Getting it down to a rational low level can be quite expensive. But I propose to you that if we have removed from the current system of price on the package to the shelf-marking, which is done much more mechanically, with much less manual input, the error level will be sharply lowered. That is one of our hopes.

Under the current system of price marking on a can, it lends itself to this problem of human error, in that the package itself is less than an adequate printing service, the machines with which we print on it are less than the most desirable you could find or dream up. And then again you have to do everything, everything has to have a manual entry.

Jim, you seem to want to say something.

Mr. STELL. I think, Senator, in response to that in our own particular case we use our own central computer as the "bible," if you will excuse that expression. However, it is governed at a central facility which in turn inquires into the price file of a store and matches up on a daily basis the items that are in that computer file to see that they are in fact as prescribed by management.

Now this means that one of the accusations made on occasion has been that the store manager may change a price file within his own computer, that he has the opportunity to rip off, in quotes, the consumer by adjusting his prices.

In a well-disciplined system this is virtually impossible to happen.

In the case of the present manual fixing of prices, it is a very complex manual procedure that involves price books that are mailed to the stores, individuals must read those and translate those prices, must set little pricing machines by hand in the store, and affix them to the individual packages, leaving a large leeway for just pure old human error.

We found in our own particular instance that we think our pricing accuracy is far greater using the computer controls than we ever had manually.

Senator Moss. What should Congress do about the privacy issues in using this automated system?

Mr. STELL. You know, we have nothing of private data within this computer file now. The only information that is in the file has to do with the items themselves, the description which obviously gets printed on the tape, and it has the price.

Now in some installations they are using what they call a negative check file, and in that case it merely says that Mrs. Jones did in fact pass a bad check. But we have used that kind of information in the industry for several years on a magnetic tape form, that if you are customers one, two, three, or four and you have a history of passing bad checks, when a cashier inquires into one, two, three, four, all it says is you had a bad check, don't cash any more without the manager's approval.

There is no personal data maintained on any customer in these computer files, at least in our own company and none that I am aware of in other firms using them.

Senator Moss. It is possible, though, isn't it?

Mr. STELL. It is not practical, put it that way.

Mr. ADAMY. It is not really possible per se. The concern comes from the development of what is called the electronic funds transfer system, in the banking structure, which is expected to come on line some time in the next decade.

If you tied together the banking information, which would relate to the individual, and the shopping information, then it would be possible. That is some time away, if ever.

Let me assure you the EFTS Commission, which you, the Congress created is very aware of the potential for privacy problems in that arena. But as it now stands, and as foreseen, the technology does not provide for the linking of the customers name and that transaction, so it is not a great problem here.

We agree with you totally, Senator, that any potential for impact upon individual privacy must be regulated very closely.

I am sure there will be in the EFTS, because if EFTS comes, undoubtedly at some stage of the game they will be linked in some form and then it will take real surveillance to assure us all of the privacy of our customers.

But not where we are now, sir.

Senator Moss. We have investigators who go and look in the garbage can to get information about some people. I wonder if they couldn't be looking into the tapes that are run to find out a lot of information.

Mr. ADAMY. But the tapes don't identify the people in any way, they don't relate to a person. There is no record kept of the fact that you or I bought that particular amount.

Senator Moss. We do appreciate your testimony and we will consider it very carefully in this matter that is obviously so controversial.

Mr. ADAMY. Thank you, sir.

[The statements follow:]

STATEMENT OF JAMES L. STELL, PRESIDENT, LUCKY STORES, INC.

Today I want to tell a story that has two separate plots. The story centers around the effect on supermarket checkout operations of the Universal Product Code and Optical Scanning Terminals. One key part of the plot deals with this new technology which permits products to be checked out without having prices marked on them.

In the search for improved productivity, the Universal Product Code (UPC) development was begun years ago. Lucky joined in the project about 1963. Originally, the Code was conceived as a means of faster and more accurate communications between retailers and their wholesalers in the ordering and processing of merchandise deliveries. The electronic industry actually made the breakthrough by developing a system which utilized the black and white bar symbol to represent the numerical code and a laser beam which was capable of reading the code.

The first plot in my story begins with the installation of an Optical Scanning Checkout System in the food department of one of our membership department stores in California in January of this year. System development and testing took over a year to complete. The significance of this move cannot be overlooked. It was the first major improvement in the checkout operation since 1833—the year the mechanical cash register was invented.

Six weeks prior to the conversion of this store, we set up a demonstration checkstand and started a customer and employee orientation program. Extensive personal interviews were conducted. We designed new shelf tags for this store and eliminated all price marking of individual packages. The start up went very smoothly and the operation has functioned without incident for over ten months. Customer acceptance has been above expectations. Sales and customer counts are at higher levels than before the conversion. The excellent results of this entirely new operating concept helped us to reach two conclusions:

1. Consumers are people—and people are still intelligent enough to make their own decisions. They really do not need a whole host of advisors and protectors. There are over 30 other food stores within a three-mile radius of our pilot store and all of them are price marking their products. Given the freedom of this selection of stores, they have chosen ours. They have accepted the new shopping concept.

2. Confidence between customers and retailers is established only through actual business transactions. The importance of this relationship is frequently underrated in analyses of customer profiles. A large number of our customers have shopped with us for years, but many new customers have been won over to this new mode of shopping for various reasons.

The second plot involves an evolution in the use of this new technology. Americans are forever tinkering with gadgets. One new idea breeds several more. Having evaluated the results of our first optical scranning test store, we decided at Lucky to develop a completely new style food operation which combines all the new equipment available that improves productivity and lowers the cost of selling products. The objective, as always, was to be able to offer greater values to the consumer which would attract large numbers of customers and generate very high sales volumes. The first two of these units were opened in San Antonio, Texas on November 5. A third one will open November 19.

We are very optimistic about the future of this type of food store. We believe it is responding directly to the needs expressed by consumers in several major

studies. The people of San Antonio will be the first to benefit directly from these new concepts made possible by improved techniques in selling food. While I would like to take an hour describing the details of these new stores, I recognize your time limitations. I did provide some written material on them which is attached to the text of my presentation. I do hope you can take a few minutes to read it. Since it is such a marked departure from a conventional store, we even created a new name and dubbed it Magnamart.

Business decisions to adopt new technologies, experiment with new techniques, or break away from traditional concepts are not made without considerable thought. Many people who have never made such decisions fail to appreciate the significance or the possible consequence. The dividing line between a hero and a bum is a very fine one indeed. The biggest gamble of all in retailing, with any change, is the possible loss of a customer's patronage.

I feel one point should be made involving business decisions. We should strive to create an atmosphere that encourages business to develop new ideas and experiment with new concepts. The lead time in bringing an idea to the implementation stage is considerable. Once an idea is firmed up and funds and personnel are committed, it is extremely expensive and wasteful to try to stop the project.

If a particular state discourages progress, it is sometimes possible to move a program to another state. If the Federal Government restricts or discourages progress, the whole country can suffer. Several foreign governments have very aggressively supported new programs designed to improve productivity and offer benefits to the consumer.

We have already witnessed a marked slowdown in the scheduled implementation of optical scanning checkouts in supermarkets due to the uncertainty over possible legislation on mandatory price marking. The transition period for most companies would have covered several years when there was no concern over legislation. No mass conversions are economically feesible in view of the large investments in present equipment, most of which would have to be abandoned.

The opportunity you have given us to present our views is greatly appreciated. Our concern, as a company and as a member of the food industry, is directed toward providing all the consumers of America with food at as low a price as possible. There are over 200 million consumers living in the five million square miles of our country. As of this moment, only about 50,000 of those consumers, who live in a 12 square mile area around the three stores that have optical scanning without item pricing, have had any actual experience with this new shopping concept. We think it would be wrong to deny the industry the opportunity to serve everyone efficiently and with prices as low as possible. We also think it is wrong to deny those 200 million consumers the prospects of more efficient food stores. Wage costs in many areas of the country are already about 16 cents per minute. There is no question that they will continue to increase. The only way that food retailers have to slow the rise in food prices is to achieve greater productivity. To achieve productivity gains, we must invest in equipment such as electronic scanning terminals.

In summary, we feel that there is a tremendous opportunity for us to serve the American consumer more efficiently if we are not faced with Government restrictions in this experimental period. Our experience with the new checkout operation in serving over 10,000 customers a week during the past ten months has been very rewarding. Our development of a new, exciting food store has been made possible by this particular new technology. We can see even greater possibilities in the future—if we are permitted to plan and operate in a free environment.

Thank you very much.

NOTE.—This text is the basis of Mr. Stell's oral remarks. It should be used with the understanding that some material may be added or omitted during presentation.

STATEMENT OF CLARENCE G. ADAMY, PRESIDENT, NATIONAL ASSOCIATION OF FOOD CHAINS

UPC AND THE ELECTRONIC FRONT END IN PERSPECTIVE

1. Background

The food distribution industry and consumers have an intense interest in the future of the Universal Product Code (UPC) and the computer-assisted checkout system.

Beginning in the 1930's, the industry has invested millions of dollars in the development of a system designed to deliver faster, more accurate checkout at the supermarket. In the current era electronics have been adapted to the system. While the electronic elements of the system are relatively sophisticated, no single part of it is exotic. Simply stated, the electronic front end system incorporates a coded symbol printed on each package, an optical scanner, a computer and an electronic cash register.

As the scanner reads the UPC code, it identifies the item as the checkout clerk passes each item over the scanner beam. Then the store computer instantly "looks up" the price of the individual item and flashes the price of the item on an eye-level electronic display for the customer. Instantaneously the cash register prints out the transaction on a detailed sales receipt tape, which will be described later in this statement. As with conventional checkout systems, the sale is then totaled and the customer pays the checkout clerk.

UPC and the electronic front end represent continuing effort by industry to develop a faster and more accurate cost-cutting system.

Over the past 50 years the food distribution industry has steadily supplied higher quality products in greater variety, at lower relative cost and greater convenience in part by expanding economies of scale. In an era of ever-rising operating costs, only through greater productivity can supermarket operators hold down increases in food prices.

In the early 30's food retailers saw that by combining retail and wholesale functions, including the operation of their own warehouses, they could improve service and reduce operating costs at the same time. Incorporation of wholesaling into retailing cut operating costs associated with marketing from 30 to 24 percent, a 20 percent savings in costs. Typically, this step forward did not remove a function but did transfer it from independent hands into the retailing process, increasing productivity and helping form the foundation of supermarket operations as we know them today. Reduction in supermarket operating margins, which now average 22 cents of each dollar of sales, were passed on to customers through competitive pressures.

Another major stage in the emerging supermarket system evolved during the late 40's. Though self-service operations existed well before this time, generally small stores manned by clerks typified food retailing in the United States 35 years ago. As the self-service style was adopted generally by food retailers, another more sophisticated level in food distribution was achieved. Individual stores, whether independent or part of chain operations, could offer improved services by providing a much greater variety of products at lower prices under one roof. "One stop" shopping is now the American way and has been emulated throughout the world.

With self-service again, certain functions, though not eliminated, were transferred from one place to another. Sales clerks who sold and promoted products during an era when few food stores stocked no more than 500 items ceased to perform that function. Product differentiation and promotion have become functions of packaging and advertising in an age when supermarkets stock between 7,000 and 10,000 items.

However, it is significant to note that during this period the supermarket industry continued to provide more and more jobs to the American people. For example, in 1951, 881,000 were employed, and in 1975 the number has grown to 1,800,000. In other words, the record is clear that innovation and change in the supermarket industry has always resulted in a net increase in the number of available jobs.

Since establishment of the supermarket system some 30 years ago, the nature of the industry has not essentially changed. Until experimental introduction of the UPC and the electronic front end in 1970 in a short-term test situation, there were no highly visible innovations in supermarket technology. Stores did gradually increase in size, so that today the average supermarket occupies about 30,000 square feet. Techniques of storage, refrigeration and transportation have been improved markedly over the years, especially in the past five years, as the industry has striven to conserve energy. Yet there has been no breakthrough to increase productivity and improve service as fundamental and dramatic as UPC and the electronic front end.

To put things into perspective, UPC and the electronic front end are more on the horizon than arrived on the scene in 1975. In November of 1975 there are 36 stores equipped with scanner installations. Laboratory experimentation has given way to field testing. It is anyone's guess as to when electronic front ends will be commonplace in this country, but early estimations projected that just under

8,000 supermarkets will be using them by 1980, about 20 percent of the nation's 40,000 supermarkets.

2. Coordinated development of UPC scanner technology

The Grocery Industry Ad Hoc Committee on Universal Product Coding was established in August, 1970 to deal with the challenge of achieving productivity savings industry-wide through use of a standardized code numbering system and automated checkout devices.

The present set of two, five digit human-readable numbers, appearing below the machine readable code symbol, identifies each container by manufacturer, size, contents, flavor and so on. (See attachment A) It does not and will never contain the price of the item. The price is "filed" in the scanner's store computer for instantaneous retrieval. The first set of five numbers identifies the manufacturer, for example, Heinz. The second set of five numbers identifies contents of the container uniquely. No other product by any other manufacturer, nor any other by the same manufacturer, bears the exact same second set of numbers. Each bar code symbol is also unique. The store scanner reads the code automatically as it is passed over the scanning beam.



In September of 1974 the Public Policy Subcommittee of the Ad Hoc Committee was established to address issues of industry and public concern raised by introduction of scanner systems. Public Policy Subcommittee members were named to provide industry, consumer and labor input into the various public policy questions generated by the system.

3. Benefits to customers, employees, supermarket operators, and farmers

As with prior advances in supermarket technology, every one with a financial stake in the electronic front end—customers, employees, farmers and supermarket operators—stands to benefit. There is no reason to think otherwise in view of historical performance of the industry.

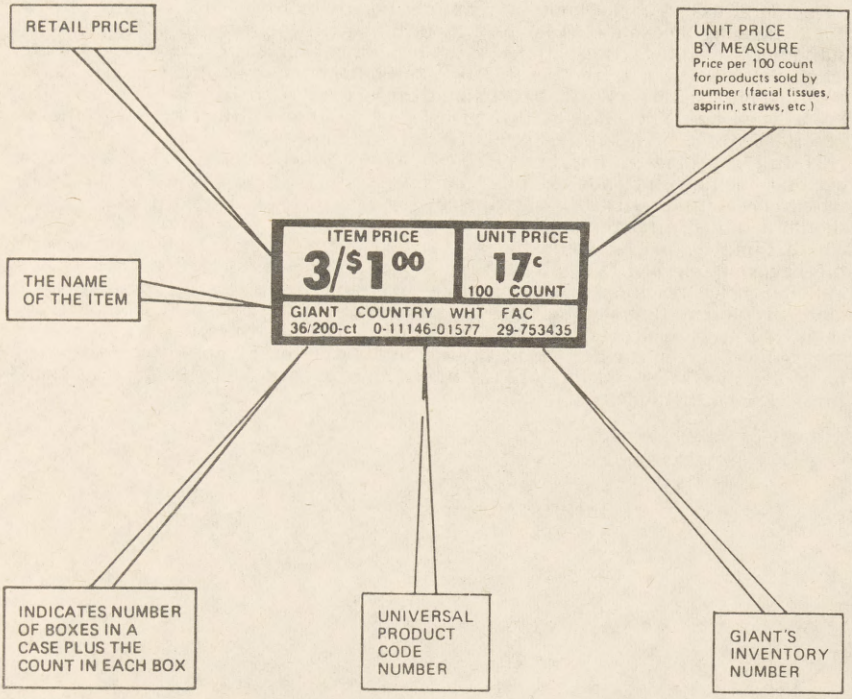
Shoppers can expect: Less upward pressure on food prices; faster service; more accurate checkout; better price communication; improved record of food purchases; faster, simpler check-cashing service; and improved general services.

In the present and foreseeable economy *holding down food prices* is largely a function of cutting operating expenses through increased efficiency. While requiring initial capital outlays, electronic front end operations ultimately will save substantially more than they cost, and represent a sound, necessary investment in improved productivity and better, more attractive service.

Computer-assisted checkout systems are vastly *more accurate* than conventional manual checkouts. From 1972 to 1973 one Kroger store recorded 7,000,000 individual scanning transactions without a single error. On early hand-built scanners one Marsh store operated by a prominent, midwestern regional chain, recorded only six errors in 3,550,000 item transactions from July 1974 to July 1975. From August to November of 1975, using new production line equipment, Marsh experienced zero errors in 1,000,000 item transactions.

Testing continues to improve *price communications systems* developed for use with electronic front ends. At this time only six of 36 stores using computer assisted checkouts are using a shelf-pricing system instead of item pricing. And it should be noted three of the six stores are classified as "warehouse food centers" where typically prices would not be marked on individual items regardless of the checkout method. Yet all 36 feature better price information than before. Multiple price tracking systems include fixed shelf markers up to three times more prominent than before. (See attachment B) At the checkout counter, as each item is passed over the scanner, its price and identification are flashed on an eye-level screen facing the customer. Finally, the total transaction is recorded on a detailed sales receipt tape with far more information than conventional tapes. (See attachment C)

GIANT FOOD INC.
NEW UNIT PRICE LABELS



GIANT FOOD INC.

COMPUTER-ASSISTED CHECKOUT SALES RECEIPT

GIANT FOOD-SEVERNA PARK — STORE LOCATION

CORN FLAKES	.33	ITEM DESCRIPTION
GT PORK&BEAN	.27	
GT ORANGE JC	.43	FIRST ITEM OF 2/85¢
GT FACIALS	.34 T	
GT ALUM FOIL	1.59 T	TAXABLE ITEM
BEEF GRAVY	.22	
HI-C PUNCH	.55	
JELLO	.25	
FANTASTIK	.87 T	
CRANBERRY JC	.65	
LUX LIQ DET	.43 T	
GT LGHT TUNA	1.09	
SKIM MILK QT	.43	
PUSS-N-BOOTS	.33 T	
GALLON MILK	1.43	
JELLO	.24	
HUD NAPKINS	.21 T	
FRISK CAT FD	.27 T	
PORK LIVER	1.81	
GT ORANGE JC	.42	SECOND ITEM OF 2/85¢
SIRLOIN STK	1.40	
WEIGHT 3.54# BANANAS	.42	
COUPON	1.00-	COUPON ALLOWANCE
TAX DUE	.17	TOTAL TAX
TOTAL	13.15	TOTAL OF ORDER
FS BAL DUE	9.94	TOTAL PAYABLE WITH FOOD STAMPS
FS TEND	5.00	FOOD STAMPS PAID
BALANCE DUE	8.15	REMAINDER OWED FOR ORDER
CK TEND	15.00	AMOUNT PRESENTED BY CHECK
FS CHG	.00	NO FOOD STAMP CHANGE DUE
CHG DUE	6.85	CHANGE DUE

DATE 1/09/75 17:15 140/ 2 — STORE NUMBER, CHECKOUT LANE

TIME THANK YOU - COUNT ON US

CONVENTIONAL CASH REGISTER SALES RECEIPT

PLEASE RETURN RECEIPT FOR REFUNDS EXCHANGES

— 526 —

-	00.33	GR
-	00.27	GR
-	00.43	GR
-	00.34	GT
-	01.59	GT
-	00.22	GR
-	00.55	GR
-	00.25	GR
-	00.87	GT
-	00.65	GR
-	00.43	GT
-	01.09	GR
-	00.43	DE
-	00.33	GT
-	01.43	DE
-	00.24	GR
-	00.21	GT
-	00.27	GT
-	01.81	MT
-	00.42	GR
-	01.40	MT
-	00.42	PR
-	00.17	TX
-	14.15B	

GIANT FOOD-SUPER GIANT

1237 11 MAR 75

Though there is variation in style and content of electronic front end receipts, at this stage of equipment development, typically they provide a more specific identification of the individual product next to its price. For example, instead of the symbol "GR" for all grocery items the new tape will read Crisco, Lux Soap, V–8 Juice, or Gatorade. Additionally the sales tape usually identifies the name and branch of the store, taxable items, food stamp purchases, method and amount of payment, and amount of change due. Other tapes also indicate trading stamp and bottle refund transactions, and the date, hour and minute of the transaction. Work is in progress to provide a more uniform format of new sales tapes, a major area of concern and experimentation.

While experimentation to improve price communication continues, it is apparent that conventional price marking techniques have serious shortcomings. Intrinsically, hand stamping is a defective means of printing. Neither the surfaces of containers nor the printing tool itself can produce consistently readable information. Hand-stamped information also becomes less intelligible with repeated handling of merchandise. Price stickers—an alternative means—often are rubbed off in handling. And, as items are now individually marked, human errors intrude. Both mechanical and human sources of breakdown are virtually eliminated by carefully controlled computer-assisted pricing procedures.

Electronic front end checkout is faster than conventional checkout. Manual time-consuming movements are greatly reduced as checkers merely pass items over the scanner, which reads item codes instantaneously.

An entire range of *general services* will be improved through electronic front end operations, not simply the checkout process. Improved store inventory control, possible only with computerized data processing, will keep shelves stocked more fully than before, especially so with advertised specials.

Weighing and pricing of fresh fruits and vegetables are more accurate and faster with scales built into the electronic checkstand. While not all stores using the electronic front end use scales at the checkout counter, those that do will continue to provide scales in the fresh produce department.

Store check cashing approval procedures will also be simpler and faster at the electronic checkstand. Approval of customer checks will be by electronic means and will eliminate need for approval by the store manager or cashier.

In summary, electronic checkout will provide better service at no increased operating cost to the store, and in turn to consumers.

4. Benefits to store employees

The ultimate effect of general adoption of the electronic front end will be to create more jobs in food distribution and to provide opportunities for jobs requiring higher skills. In the short term union contracts contain clauses protecting employees against job loss due to new technology. In the long run—as industry historical performance has demonstrated—transference of functions will not reduce the net size of the work force, but will provide new opportunities brought about by industry expansion.

A management consultant study sponsored by a group of grocery manufacturers concluded that the impact of the electronic front end on store employees would cause some shifting of individual responsibilities, creation of a need for higher calibre store managers and perhaps of checkers as well. The same Dechert, Hampe and Company study also concluded that probably fewer clerks and checkers would be required by industry, but that no net decrease in the work force would occur, as stated earlier in this paper, because of new store openings, and renovation and modernization of old stores.

5. Benefits for supermarkets

The food distribution industry considers the electronic front end as a key to streamlining its operations to help hold down operating costs. In order to be effective in this role the new checkout system must pay off with increased rates of productivity. While information about this feature of the system is currently being developed, as companies test the equipment in the marketplace, significant hard savings are projected. This projection is for operating expense savings at the checkout stand, in price marking, register replacements, reordering processes, balancing and reporting functions, and under-rings. More precise data on so-called hard savings will be available in the months to come, as experimentation produces it.

Right now labor costs are the single largest operating expense item, accounting for 67.28 percent of all food retailing expenses. Scanning has the potential to hold down this figure, while delivering benefits to labor, management and consumers.

So-called *"soft" savings* will also result. Soft savings are those which are difficult to quantify but are reasonable to expect. For example, stores using new checkstands will probably increase sales volume because such stores will be able to move merchandise and handle more customers than conventional ones. Labor costs in individual stores will be reduced at the same time such stores attract more business. Through improved inventory control it will also be possible to time specials more advantageously and respond to competitive advertising generally. Because data gathering and retrieval of store operational information will be improved through computer technology, manpower scheduling should be much more efficient than now.

Perhaps the most effective area of inventory control and cost savings will be with fresh produce, meat and poultry. Spoilage and waste in these product lines which show up in retail prices as an operating expense will undoubtedly be reduced by inventory control data generated by the electronic front end. With these products fabrication and packaging processes are involved and thus are labor intensive activities. Scheduing of store employees working in produce and meat operations will be more effective because of planning data collected at the electronic checkout counter.

6. Benefits to the agricultural community

Precise, detailed information about product movement provided by electronic front end data collection will enable retailers to *evaluate consumer reaction to new products* more quickly than ever. For example, had scanning been in widespread use last year, it would have developed a fast profile of consumer response to the marking of unprecedented quantities of grass-fed beef. Information about new product acceptance will therefore aid the farmer or producer in his production planning.

Faster, more accurate marketing data data will also permit retailers to fine tune their product offerings in line with the existing supply-demand situation. For example, retailers will be able to react more aggressively in selling farm products in strong supply and passing on good buys to customers, especially in perishables, more quickly than ever, avoiding present lag times in obtaining reliable data about product movement.

Retailers, thus farmers, will also be able to cope with "shrink" more effectively. Shrink is the retailer's term for the difference between the value of a product as it is shipped into the store and the product as it is sold. In the case of beef, shrink is caused by moisture loss, loss during preparation of retail cuts, re-working costs that do not sell, markdowns, product spoilage, pilferage and marking errors. Some shrink is inevitable, but scanning will help retailers reduce present shrink figures through improved planning and control. This is especially important to beef producers because every pound of saleable beef lost in shrink reduces the value of the original carcass, and thus the wholesale value of the carcass.

In sum, improved record keeping better informs the farmer-producer as well as the retailer and can create farm production controls consistent with market demands, making more rational than ever the supply-demand relationship.

7. Customer reaction today

The supermarket is very interested in learning the reaction of the American shopper to the UPC-scanner system. With just 36 stores in the country using the system and only six of these operating without individual price marking, public attitudes are far from settled. The most controversial aspect of new scanning systems is the issue of removal of prices from individual items and replacement of the old price communication method by the new multiple price features of most existing electronic front end stores.

However, consumer reactions have been measured in three regular supermarkets (as contrasted by the warehouse center) where the scanner checkstands have been installed, and where prices are displayed on the shelf rather than on the individual items.

Earlier this year, the Field Research Corporation conducted a consumer survey of the Gemco store in San Leandro, California, operated by Lucky, a large national chain, and learned that 51 percent of the customers were "not bothered" by individual price removal, and that shelf labels and the descriptive receipt tapes were acceptable alternatives. Eighteen percent were bothered, but would accept the change if it saved them money. Twenty-nine percent were bothered regardless of the savings. Yet, this group continued to shop regularly at the store.

Another study was conducted by Marsh Supermarkets in their Troy, Ohio store. It is interesting to note that from the very beginning Marsh customers were

kept fully informed that the equipment would be used for a period of time with individual price-marking, and then tested with a shelf-marking system.

Eighty-three percent felt that the new checkout system was faster than other stores. Eighty-one percent stated that the system is more accurate. On the question, "Are the new price labels easy to read?" 75 percent answered "yes." And, finally, on the price removal issue, 27 percent said that it would be acceptable, if there were any savings at all, and 32 percent said it would be acceptable with some savings. Sixteen percent would prefer large savings, and 25 percent felt that price marks should be put back.

Giant Food is the third food company testing the UPC system without item pricing in its Severna Park, Maryland store. Two important points should be noted about the Giant test. First, before the introduction of the scanner, Giant organized a special consumer committee to resolve questions about the system and to monitor the test being conducted by Giant. Giant has since opened a second store using the scanner equipment and in this instance has left prices on the individual products. In this way Giant will be able to measure consumer reaction and use of the UPC system in a store using shelf-price identification compared to the store using item-pricing.

Of special interest was one study conducted at the Severna Park store by the District of Columbia Office of Consumer Affairs, in preparation for a hearing on a proposed item-pricing ordinance.

Meredith Fernstrom, D.C. Director of Consumer Education, testified that a number of significant conclusions can be drawn from the survey findings.

1. "Shoppers in the Severna Park Giant store are generally quite satisfied with the electronic checkout system, citing virtually no complaints about it.

2. The majority of shoppers are not bothered by the absence of price marking, and over three-fourths of the shoppers are opposed to a law requiring price marking on individual items.

3. A majority of shoppers feel that their awareness of price changes has not been affected by the absence of price marks in this system.

4. The system of posting prices on shelf labels is working successfully in the Severna Park Giant, with the majority of respondents finding the labels easy to read and in the correct locations.

5. Shoppers would clearly prefer the savings inherent in a non-price marking system as opposed to price marking, if such savings are passed on in the form of stabilized prices."

Overall, these early survey results suggest that consumers are pleased with the speed and accuracy of the UPC scanner system. They also are impressed with the itemized receipt tape.

The survey results would suggest that the item price-shelf price issue is an open one that should and probably will be settled by the consumer in the marketplace rather than by legislative mandate. The results certainly are not representative of the absolute position taken by some organizations who have opted for government regulation rather than consumer research and further development.

Much more needs to be learned about the total system and alternative pricing systems before any final policy judgments are made.

Under sponsorship of the Public Policy Subcommittee of the Ad Hoc Committee on UPC—which has industry, labor and consumer-representation, Dr. John Allen, Professor, Food Systems Economics and Management, Michigan State University; Dr. Gilbert Harrell, Professor, Marketing and Transportation Administration, Michigan State University; and Dr. Michael D. Hutt, Professor of Marketing, University of Vermont are currently conducting a comprehensive consumer behavior study in UPC scanner stores using the traditional pricing system compared with a shelf-marking system. The research, which is being conducted in three phases, will study consumer reaction concerning: (1) price determination; (2) unit price determination; (3) price consciousness in the store; (4) price comparisons in the store; (5) unit price usage; (6) shopping time; (7) ability to follow prices and price changes over time; (8) satisfaction/dissatisfaction with store; and (9) store choice. Results will be made available to the public as soon as they are available.

8. Mandatory item pricing legislation

Only three states have passed legislation requiring supermarkets to price mark individual items; Federal pre-emptive legislation and any further state action would be premature and not in the interest of the consumer.

To reiterate, the purpose of present scanning installations is to work out problems as they are encountered in practice and to seek answers to the questions consumers and industry need. No other innovation in food distribution or any other industry has been as thoroughly and openly developed through cooperative efforts of all concerned as is now taking place on the UPC electronic scanner system.

There is valid debate as to the nature of impact on industry, labor and consumers. Public interest requires research and testing to learn more about scanning so that systems may be more uniformly designed and operated by those food stores interested in installing them.

It is significant to note that there are two major goals to scanning technology:

1. To improve service.

2. To exert a downward pressure on operating expenses, and in turn on retail prices.

Most of these goals have been discussed at length earlier in this paper. Another aspect of electronic checkout relates to its probable effect on competition. If electronic front end development is permitted to continue without extraordinary limitations set by law, competition will inevitably determine which system, thus which stores and chains, the public will favor. The industry knows enough about scanning now to understand that conveniences offered by electronic front end operations are also sharp competitive tools. As with new developments in the past, competition will grow more intense to the ultimate benefit of consumers. If, on the other hand, development is hobbled by restrictive legislation which is not responsive to the real issues, the future of scanning technology will lie in considerable doubt.

The industry agrees emphatically that price information is the customer's right and that an accurate price description must be provided at the point of selection. But it is also a consumer's right to pay the lowest price possible for anything sold in a supermarket. In effect customers will be paying more than they need if supermarkets are legislated into continuation of costly and avoidable labor costs. In the end the customer pays all operating expenses. Would the American public choose knowingly to do so if presented with the full range of issues discussed here? In summary, the marketplace is the proper testing ground for scanning checkout. Let consumers vote with their business whether they prefer scanners to conventional checkout and whether prices should remain on individual items.

Senator Moss. Mrs. Ann Brown, chairperson, Consumer Affairs Committee, Americans for Democratic Action, and Mrs. Carol Foreman, executive director, Consumer Federation of America, would you both come forward and we will proceed first with Mrs. Brown.

STATEMENT OF ANN BROWN, CHAIRPERSON, CONSUMER AFFAIRS COMMITTEE, AMERICANS FOR DEMOCRATIC ACTION, WASHINGTON, D.C.

Mrs. BROWN. I am not going to read all of this, I promise. I waxed a little literary in the beginning, but I hope you will read it all.

Senator Moss. We shall read the full statement very carefully.

Mrs. BROWN. Fine.

Unless legislation is enacted which will insure individual price marking, the shopper will become programed as well as the supermarket. It has been said by supermarket personnel that if the consumers do not like the store without the price markings they can go to the store around the corner with the price markings. This is not true. The competitive situation in many cities in this country would prevent the consumer from having any choice.

For instance, in Washington, D.C., Giant and Safeway together have almost 70 percent of the business. If Giant and Safeway both remove the prices on the items when instituting the Universal Product

Code System, the District of Columbia consumer will effectively have no choice.

Carl Cifrino, executive secretary of the Massachusetts Retail Grocers Association, has said that the competitive nature of the supermarket business will insure that savings will be passed on. Of course, the opposite is true. Where the competitive system is not working, the savings need not be passed on.

Dr. Russell Parker of the FTC said that "The main vehicle of competition is price information." And its disappearance from individual items is a valid concern of the FTC. If the retail food business were really competitive consumers would have the power to obtain guarantees that part of the savings would be reflected in lower prices. But consumers, of course, do not have this power in areas where the markets are monopolized.

Consumer activists have not turned into automations. Our job is to represent the concerns of our constituents—the consumers—to you. Yet industry personnel have treated consumers and consumer advocates alike with total condescension.

This condescension has taken many forms. First of all, no representatives of consumers were brought into the hallowed halls of industry when the first discussion and analyses of the Universal Product Code system and its effect were taking place.

Next, the industry thought that the consumer could be lulled into a state of ennui by lots of frills in the supermarket such as carpeting on the floor, Muzak in the air and many new and useless colorfully packaged products. The industry thought they could slip over on the great unwashed the fact that the prices were being taken off items, that a whole new way of shopping was being introduced. They never thought that the consumers' intelligence was something to be reckoned with—that the consumers' sense of price awareness was acute—that consumers, indeed, have a sense of "price and pride."

Further evidence of such condescension has been the accusation that only activists care whether the prices are on all the items—that consumers couldn't care less. Consumers will not be lulled and we, as consumer advocates, are representing the concerns of consumers. That is why there are so many bills both pending and passed, both national and local. The Congress and the local legislatures are not reacting to the whims of three or four vocal advocates; they are reacting to the desires of their large constituency.

The ultimate insult to the consumer advocate has been the accusation that the advocate is really being used by the labor unions, that Big Labor has bought the consumer advocates and can push them around to labor's advantage.

I am outraged by this ridiculous charge. I have yet to be bought off by anyone and don't know any consumer who has. Worse yet, no one has even offered!

Furthermore, I know when I am representing consumers on an issue. Labor unions don't have to tell me what my concerns should be. My constituency of consumers tells me. You must realize the labor constituency and the consumer constituency are two groups.

Concern about the new scanner system is high. Everywhere I speak lately I am questioned about the system and the possible absence of price markings—at the United Planning Organization, at the Junior League, at the Jewish Social Action Group.

This patronizing attitude of industry may be an extension of an attitude of disdain toward women in general. The majority of supermarket shoppers and consumer advocates are women. Most supermarket executives are male. These executives appear to be saying that the lady shopper shouldn't bother her pretty little head with all those silly numbers; that those witchy ladies stirring up all that trouble are really just aggressive loudmouths and not very feminine either!

We truly reject those attitudes. The advocates' battlecry may become, "Alice doesn't shop here anymore."

I cannot believe that I am here today to defend what should be an inalienable right of consumers: The price marking of individual items in the Nation's supermarkets. Our Consumer Affairs Committee has no objection to the coming of the Universal Product Code. Coming it is! It is the wave of the future and we have no intention of putting a finger in the dike to try to stop the onslaught. But in a period of high inflation, of high unemployment and of economic distress, I cannot believe that the supermarkets wish to take away one of the consumer's remaining weapons, that is, price consciousness.

In my jaundiced view, it appears as if the supermarkets purposely are plotting to dull the pain of constantly rising prices for the consumer, to mitigate the criticism and activity about rising prices. If the consumer can be lulled into not knowing what the individual prices are and into not being aware of how much the prices are going up, certainly some of the pressure will be off the supermarkets to keep control of their prices as best as they can.

The hullaballoo over removal of item pricing is incontrovertible evidence of public distrust of supermarket executives. They have earned this distrust over the years. Some executives realize this. Fred McLaren, president of Los Angeles-based Hughes Supermarkets, said in a talk reported by Supermarket News: "If we had earned their trust in the past there would be no furor now over UPC. But we've been sloppy in our price-marking methods in the past and now we're paying for it."

Supermarkets have claimed that, in the absence of prices on the individual items, consumers will be able to depend on the shelf prices, that is the price marked near an item on the shelf. It has been a truism that shelf-price marking has been notoriously sloppyy.

A recent study was done by the New York Public Interest Research Group (PIRG) for hearings held at the New York Senate Committee on Consumer Protection headed by Senator Joseph R. Pisani on price marking. The results of the study were released in the New York Times on Sunday, October 19, 1975. The study showed that supermarkets in the city and around the State were "flagrantly violating" laws requiring them to "unit price." "In the city alone only one of 74 supermarkets in Staten Island, Brooklyn, and Queens were in full compliance with the law, and 40 percent of 1,400 items surveyed had torn, dirty, out-of-date, or missing labels the study found." Donald Ross, director of the research group, said, "The inescapable conclusion" to be drawn from the findings is that "we cannot allow the supermarkets to stop pricing individual items."

Consumer mistrust of supermarkets extends further than simply a lack of confidence in depending on shelf prices if the individual item prices were removed.

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At the same New York State Senate Committee on Consumer Protection hearing on the UPC and item pricing, Robert Wegman, chairman of the Wegman's Food Market chain, disclosed some results of a study conducted by his chain. Wegman's study disclosed that the supermarket customer has a 70-percent chance of leaving a conventional checkout counter with at least one error having been made in the register slip. The accuracy of the UPC scanning device was the point Wegman thought he was making.

What the customers would have to say about this revelation of a 70-percent error at the cash register is, "Now they tell us." Why has this study just been done? Did the industry know of this high error rate previously? Why wasn't this study of cash register error done even before there was any such thing as a UPC system? Is this relevant to other areas of the country? Are the supermarkets content not to reveal this kind of information about the system in use and not to improve on the system in use until they have another system at the ready?

How about all the other supermarket chains that have not turned to the UPC system? Is the chance of checkout error 70 percent at those chains? In fact, you see that admission of error comes in this most self-serving manner. That is not a way for the supermarket to gain the confidence of its customer.

Another area into which consumer trust enters is the controversy over just how much savings will accrue to supermarkets by the introduction of this new system and whether any of the savings will be passed on to the consumer in the form of lower prices. The supermarkets are rushing into the automated-checkout system because of the endless benefits they will reap. As soon as the equipment becomes available, the supermarkets will begin to convert. The Washington Post quoted a Safeway executive as saying, "There's an electronic checker in the future of every chain." Mr. Robert Sloat, vice president, retail operations, Foodarama, told the New York grocery manufacturers' representatives last February that "Unless something drastic happens, nothing is going to stop the implementation of scanning."

The main reason for converting is profits. It has been explained that there are savings, both "hard" and "soft," for supermarkets on this investment. The hard savings are estimated as bringing a 30-percent return on investment to the supermarket. The soft savings will bring another 30-percent return on investment. Together they should bring a 60-percent return on investment to supermarkets. Supermarkets' annual savings due to installing this new system have been estimated at $149 million.

Now who do you think is paying the $150,000 installation costs per store? Naturally the consumer is paying and you can be sure that this will be in the form of higher prices. The supermarkets have been poor-mouthing it for years, saying they make less than 1 percent of sales. If they are so anxious to jump into this very expensive new kind of equipment, one wonders where they are getting this enormous amount of capital for investment.

Let us look at the cost of price marking individual items in the supermarket. Grocery manufacturers said at a hearing on the UPC system in Denver that only 10 percent of a clerk's time was spent putting labels on products. The cost of price marking should equal less

than 19 percent of the expected savings of supermarkets. The cost to price mark per store has been estimated as follows:

The savings without individual price marking per store would be $34,000 per week.

The savings with the individual price marking included on the items would be $23,000 per store per week.

The cost to price mark per store per week would be only $225.

Barry Scher, public relations director of Giant Food, Inc., was quoted in the Washington Post of August 17, 1975: "The system will save us money, even if we have to item price * * *."

Since the system has been designed to save money, one would expect that some of these savings would be passed on to the consumer in the form of lower prices. That is where the problem of trust raises its head. The anticipated savings are based on studies, but to know the actual savings the supermarket can obtain, hard and soft savings, we would have to turn for really accurate information to the supermarkets themselves. And getting financial information from supermarkets has proven in the past to be a nearly impossible task. If we are dependent upon the chains for the really relevant information about profits from the new system, then we may be totally confused. Here are some of the various statements that have been made by supermarket executives about whether the UPC system will lower food prices.

Milton Perlmutter, president, Supermarkets General Corp., Woodbridge, N.J.—. . . that the system will benefit consumers by its potential to reduce costs "so that we can at least hold the line against price increases. I am not saying that computer-assisted checkout means lower food prices."

Jim Snell, president of Lucky Stores—Investment in the San Leandro store would not necessarily result in savings for consumers. "We can't guarantee anything," he said at a press conference at the new market.

On January 22, 1975, Mr. Joseph Danzansky, president of Giant Food, Inc., vowed in an article in the Washington Post that he would "share his account books with the public after the experimental period to demonstrate in what specific instances cost savings are reflected in either lower pricing or prices that did not increase."

Yet at hearings held by the D.C. City Council on July 23, 1975, Mr. Danzansky, when questioned about any savings of money at the Severna Park Giant which had opened on February 3, said that, "Giant so far has been unable to determine whether the Severna Park experiment has saved money."

Now that's a period of almost 6 months and yet we are unable to get even a clue of either savings or costs to the supermarket or to the consumer. I am amused by the use of the word "experiment" by the supermarket personnel. That must be a heck of an expensive experiment.

Without the relevant financial information, the supermarkets hold all the cards, because they hold the key to their locked financial files. Examples of supermarket recalcitrance to part with financial information are legion. The FTC is presently conducting an investigation of pricing practices of retail foodstores in six cities in the United States where the market is essentially monopolized to see if monopoly raises

the price of food for consumers. Detailed financial information from the supermarket chains is necessary for the FTC to conduct this investigation, but the supermarket chains have put every barrier in the path of the Commission in order to avoid giving this important financial information.

Let me illustrate the length to which the FTC has to go to obtain data in the current six-city investigation. Relevant financial material was requested from 21 chains, but it was necessary to use compulsory process in order to obtain the information. Subpenas were issued to 21 chains doing business in the six selected cities and, initially, 6 firms refused to comply. The Commission upheld the subpenas. After that, four firms—Giant Food, Safeway, Winn-Dixie and Lucky—gave formal notice that they would not comply with the subpena. The FTC General Counsel then had to file a motion in court to seek enforcement of the subpenas.

Such legal maneuverings have brought the FTC investigation to a standstill and a period of "protracted litigation" is expected. These are public companies, yet they fear the light of public scrutiny of their pricing practices. What have they to hide?

Such suspicious corporate behavior is directly in line with the policy of removing individual price markings, effectively leaving the shopper in the dark about chainstore pricing practices.

Not only have supermarkets proven themselves to be totally recalcitrant in revealing any of this important financial information nationally, they have also proven themselves to be stubborn in local investigations. In Massachusetts a special legislative Commission on Food, Pricing and Marketing Procedures was examining the food price situation in the State. This special legislative commission wanted to look as closely at marketing practices as possible and therefore felt they must gather all necessary information. In order to gather the information, the Massachusetts committee designed a questionnaire built upon the FTC's line-of-business report and sent it to all food wholesalers and retailers doing business in the Commonwealth of Massachusetts.

To quote the final report of this special commission, "The response of the food retailers and wholesalers was chilling. Only two of the 100 or more of the recipients even bothered to read the questionnaire and their responses were niggling."

These are the people who shop in the urban supermarkets: The poor and the nearsighted; the illiterate and the foreign-speaking; the functionally illiterate, the elderly, the children, the retarded, and you and me. We are all harassed, rushed, ill-equipped, and short of dough.

You have read of recent surveys which show that the average American cannot succeed in the simplest task. Yet with individual item price marking, we are asking that people mark items with a grease pencil or rely on unreliable shelf price markings.

Picture the busy family shopping on Friday night for the coming week. Perhaps the children are in tow, or perhaps the children are doing the shopping or perhaps it is after a long day's work and the husband or the wife is at home waiting for dinner. The supermarkets are asking the shopper to march around the supermarket with a slippery grease pencil doing the work of the supermarket by individually marking each price on each can and package, jostling to get

to the shelves to see what the prices are to mark down. We are being required to do the work of the supermarket clerks at no pay, to lose the main advantage the computerized system offers us—saving time—because we must mark prices ourselves. Or we simply lose one of our major shopping tools, price information!

While unit pricing, too, is an excellent tool, a concomitant to individually marked prices, it cannot stand alone. It is complex and difficult for many consumer to understand and use well, even educated people.

The bill that we ask you to pass today is one that is needed to protect people against the worst situation possible. And for consumers in urban areas, such as the District of Columbia, the worst situation possible would be not to have price markings on the individual items. Not having price markings would not only mean a difficulty for impoverished people, but it would be another invidious way to reduce consumers' price consciousness in an area where price awareness is one of the few weapons we have against malnutrition and hunger. The use of a long receipt tape to track price changes in items routinely purchased, is an absolutely ludicrous suggestion for the innercity consumer. It is difficult enough to keep all of those price receipts. Then you must find the right receipt for the item that you want to look up. The problem of dealing with such an amount of numbers would be immensely difficult for a person with a limited education. The retail clerks have ably illustrated the usefulness of these receipts in their testimony before this committee.

Imagine how easy it would be to take advantage of impoverished city shoppers. By raising the prices by merely a snap of a central computer, instantaneous price changes could be effected. What would keep immoral store managers from manipulating prices on a day that food stamps or welfare checks came out? There might even be an instantaneous price change from the time you pick up the item on the supermarket shelf and the time you get to the checkout counter.

Finally, I want to emphasize that any delay of passage of legislation to insure item price marking in supermarkets would be a disastrous error. The supermarkets ask us to delay so that they can see whether customers do or do not really demand price marking. This is simply a ploy and a stalling tactic designed to stonewall the opposition and eventually to lull them into complacency. Supermarket personnel have based this stalling tactic upon waiting for the results of a myriad of test cases, questionnaires and surveys to prove whether consumers really do or do not want individual prices marked.

I think it is clear that a questionnaire or survey can be structured in such a way as to give it any meaning that the surveyor see fit. I have reams of reports of surveys and questionnaires which will prove my point that consumers really do want item price marking. I am sure that the supermarkets can pull out of their bag of tricks a multitude of such surveys and questionnaires. I think that these are absolutely useless. Let me illustrate the fallacy of one such questionnaire.

The D.C. Office of Consumer Affairs, a sorry office if there ever was one, decided to try to see if consumers in the Washington, D.C., metropolitan area really wanted individual price marking. To find this out, they questioned patrons of the Giant Foods store in Severna Park, Md. I will submit it for the record.

Let me quote one of the questions put in and you can see the ridiculousness of it:

It was explained to respondents that an estimated $1,800 per month can be saved in the Severna Park store by not marking prices on each item and that this will help stabilize prices. When asked, "whether it is more important to have prices marked or to have this form of savings," 89 percent of the consumers indicated that the savings were more important. Only 11 percent opted for price markings in lieu of the potential savings.

Tell me, Senator how would you answer a loaded question such as that? This question not only assumes a definite figure for savings, but it also states, not implies but states, that this savings will be passed on to consumers. This question makes it sound as though $1,800 is going to be put in the pocket of each and every consumer, if only the stores do not have to mark the items. You can see the uselessness of such a biased survey as this.

Let me say that this legislation to require individual item pricing and unit pricing is of utmost importance to all citizens in the United States. Any delay in enacting the legislation at the national level would simply play right into the hands of those who want to convince by phony surveys and selected statistics. Citizens need relevant price information now more than ever. We must turn to the Federal Government for aid.

The great State of California has joined Rhode Island, Connecticut, and Massachusetts in passing item-pricing legislation. But to pass the legislation State by State is a tedious and laborious process. Furthermore, enforcement would not be done equally throughout all of the country, but would be spottily done by local rather than Federal mandate. If this were done on a local level rather than being done on the Federal level, there would be no standardization of how the legislation would be implemented. In some States that had passed legislation, the prices would be on individual items; in other States the prices would not be on. The situation would be untenable and unfair.

Never has an issue so united consumer advocates. The consumer movement is certainly no monolith. There is disagreement among advocates on the validity of a variety of reforms. On the question of item price marking there has been virtually no diversity of opinion. This unanimity is a reflection of the great desire of the American people to retain prices on the items that they buy in the supermarkets. Only then are we assured that my nightmare of turning the already beleaguered shopper into a blinded automaton would not become a reality for all citizens.

Thank you.

Senator Moss. We will thank you very much for your fine statement, and we are very glad to have it. You touched anew so many of these points that we have been concerned about and still are concerned about. And we are glad, therefore, to have it in the record.

[The attachment referred to follows:]

CONSUMER ATTITUDES TOWARD THE ELECTRONIC CHECKOUT SYSTEM

A SURVEY OF GIANT FOOD STORE, SEVERNA PARK, MD., BY THE DISTRICT OF COLUMBIA OFFICE OF CONSUMER AFFAIRS

Consumers everywhere are seeing the Universal Product Code appearing on more and more food packages. The UPC is a composite symbol of bars and numbers which identifies the item and is a major component of the electronic

checkout system now being tested in some twenty-two supermarkets throughout the country.

As the UPC symbol is drawn across a scanner in the checkout counter, a computer "reads" the brand size, and type of food contained in that package. The computer instantaneously registers the item's current price, and prints both the name and price of the item on the sales receipt.

In addition to the itemized sales slip, other potential advantages of the electronic checkout system are said to be faster checkout, fewer errors, and more efficient inventory control.

The primary objection to the system is the fact that some supermarkets may no longer mark prices on individual items since the computer contains the necessary price information. Prices will appear, instead, on shelf labels and on the sales receipt tape. The supermarket industry points out that one of the significant savings resulting from the electronic checkout system is the elimination of price marking. The industry feels that adequate price information will still be available through alternate means, namely, the shelf labels and register tape.

Many consumerists, on the other hand, feel that the removal of individually marked prices will dull the consumer's "price-consciousness," and may allow for easy manipulation of prices at the customer's expense. In an effort to prevent abuses of this type before they occur, consumerists have been actively pursuing legislation at the local, state, and national level which would require price marking of all consumer commodities sold through an electronic checkout system.

One such bill was introduced to the D.C. City Council in March, 1975. Interest in legislation of this type for the District of Columbia was generated when Giant Food, Inc., announced that it would be testing the electronic checkout system in some of its suburban Maryland stores.

The D.C. Office of Consumer Affairs has followed the electronic checkout issue closely for over a year and a half. A member of the OCA staff has served on the UPC Consumer Advisory Committee to Giant Food during this time, and various staff members have discussed the issue frequently with D.C. residents. The Office has coordinated several tours of Giant's test store in Severna Park, Maryland, to provide first-hand experience with the electronic checkout system for many District consumers.

The study reported here was conducted by the D.C. Office of Consumer Affairs at the recommendation of its Consumer Advisory Committee. The Committee requested the study for the purpose of determining consumer attitudes about the electronic checkout system in general, and the absence of price marking in particular, since the system is being tested at Severna Park without price marking. Preliminary findings from the study were presented to the D.C. City Council in its hearings on the bill on July 23, 1975. This report presents the final survey results.

METHODOLOGY

Staff members of the D.C. Office of Consumer Affairs conducted a survey of shoppers at the Giant Food Store in Severna Park, Maryland, on June 17–19, 1975. Three hundred (300) customers were randomly selected for interviews in the store. The use of in-store interviews was desirable in order to obtain the opinions of shoppers who had actually used the system on a regular basis and were, therefore, qualified to speak from personal experience on its strengths and weaknesses.

RESULTS

Socioeconomic characteristics

Eighty-nine percent (89%) of the respondents were female and eleven percent (11%) were male. Over half of the shoppers were between the ages of 26 and 45, but 7 percent were over 65 years of age. Twenty-eight percent had graduated from high school, while 44 percent were college graduates. One third of the respondents had a total family income of $10,000–$20,000, and 51 percent had family incomes over $20,000. Nearly three-fourths lived in Severna Park on nearby Arnold, Maryland, while the remainder were from Annapolis, Glen Burnie, Baltimore, and other communities within that area.

Shopping behavior

The majority of respondents (65%) shop at the Severna Park Giant Food store at least one or more times a week. Eighty-two percent (82%) said they look at the price of every item they buy. If an item in that store does not have a price stamped on it, 86 percent of the respondents said they find the price by looking at the shelf price labels.

With regard to finding prices on the shelves, respondents were asked about the readability and location of the shelf price labels. Ninety-six percent (96%) said they can read the shelf price labels clearly, while 99 percent felt the labels were usually in the proper location for the item they describe.

Eleven percent (11%) of the sample had encountered pricing errors at the checkout, while 89 percent had not.

Sixty-two percent (62%) of the shoppers said they save their cash register tapes from the electronic checkout system for reference. Many shoppers were seen to be using previous weeks' tapes as shopping lists or to compare price changes. Of the 38 percent who do not save their register tapes, the majority felt that they would not use them or that they were too much trouble.

Attitudes toward electronic checkout system

A major portion of the survey concentrated on customers' attitudes toward the electronic checkout system and particularly toward the absence of price marking on individual packages.

First, shoppers were asked how long it takes them to shop in the electronic checkout store compared to conventional stores. Thirty-six percent (36%) said they spent less time shopping in the test store due to the faster checkout. Thirty-one percent (31%) felt it takes them longer to shop there, but many commented that this was due to the size of the store and variety of merchandise from which to select. The remaining third of the sample said they spent about the same amount of time shopping in the test store as they had in conventional stores.

With regard to the potential effect of the electronic checkout system on prices, nearly half the respondents (49%) felt prices will not be affected, 21 percent thought prices will increase, and 12 percent felt they would decrease. Eighteen percent (18%) were uncertain about the effect of the system on prices.

Shoppers were asked how they felt about whether each individual item is price marked. A total of fifty-four percent (54%) felt price marking was either "not too important" (19%) or "not important at all" (35%). On the other hand, 29 percent said it was "very important" and 17 percent felt it was "somewhat important."

When asked if there should be a law requiring price marking on each individual item, 76 percent said there should not be such a law. Only 22 percent of the sample were in favor of the law, while 2 percent were undecided. Numerous comments indicated that the stores should be responsible for maintaining the discipline of shelf price labels in a computerized checkout system. If the discipline were maintained, shoppers felt that the combination of shelf labels and itemized receipt tapes would provide adequate information without having to mark prices on individual items.

The attitude toward price marking was found to be related significantly to the respondent's level of income and education. The greatest opposition to a price marking law was expressed by persons in the upper income ranges, and from those having at least a partial college education or more. Conversely, respondents at lower levels of education and income were more in favor of mandatory price marking.

Customers were asked further if they would rather have prices marked or have the potential savings from not marking prices passed on to help stabilize prices. Eighty-seven percent felt the potential savings were more important, and the majority were emphatic about wanting any savings passed on to the consumer.

When asked about their awareness of price changes under the electronic checkout system, 60 percent said they are still as aware as they were with a price-marking system. Thirty-four percent (34%) felt they were less conscious of price changes, while 6 percent were undecided.

Shoppers were asked to relate what they liked most about the electronic checkout system, and what complaints they have about it. The two most popular features of the system were the faster checkout (46%) and the more informative receipt tape (20%). Other features which shoppers liked include the accuracy of the system and more efficient sorting and bagging of food items.

Eighty-three percent (83%) of the sample did not have any complaints about the system. Only 6 percent complained about the absence of price marks, and the remaining complaints included the system's being too slow (3%) or making too many errors (2%).

CONCLUSIONS

A number of significant conclusions can be drawn from the survey findings.

1. Shoppers in the Severna Park Giant store are generally quite satisfied with the electronic checkout system, citing virtually no complaints about it.

2. The majority of shoppers are not bothered by the absence of price marking, and over three-fourths of the shoppers are opposed to a law requiring price marking on individual items.

3. A majority of shoppers feel that their awareness or price changes has not been affected by the absence of price marks in this system.

4. The system of posting prices on shelf labels is working successfully in the Severna Park Giant, with the majority of respondents finding the labels easy to read and in the correct locations.

5. Shoppers would clearly prefer the savings inherent in a non-price marking system as opposed to price marking, if such savings are passed on in the form of stabilized prices.

RECOMMENDATIONS

While the results of this survey are valid and conclusive for shoppers at the test store in Severna Park, Maryland, they cannot be interpreted to represent the attitudes and opinions of all consumers—or of all residents of the District of Columbia. There are currently only two stores in the entire Washington metropolitan area in which the electronic checkout system is in use: the Severna Park Giant, testing without price marking, and a new Giant Food Store in Glenn Burnie, Maryland, where prices are being marked. Since neither of these locations is convenient for District residents, there is virtually no opportunity as yet for them to experience the system and form any opinions regarding it. Therefore, the D.C. Office of Consumer Affairs has recommended that the City Council postpone legislative action regarding the system until it is more fully developed and tested. The Office of Consumer Affairs has further recommended that the major food chains in Washington be encouraged to install an electronic checkout system in a store within the District of Columbia to provide D.C. residents the first-hand experience necessary for making a rational evaluation of the system.

Consumers of the District of Columbia must be given a fair chance to cast their own vote in the marketplace on this issue, as on all consumer issues.

Senator Moss. We will now ask Mrs. Foreman to give her statement.

STATEMENT OF CAROL FOREMAN, EXECUTIVE DIRECTOR, CONSUMER FEDERATION OF AMERICA, WASHINGTON, D.C.; ACCOMPANIED BY MIDGE SHUBOW, INFORMATION DIRECTOR

Mrs. FOREMAN. Thank you, Senator. With me today is Midge Shubow, information director for Consumer Federation of America, who has been in charge for our organization of following this legislation.

Senator Moss. We welcome you, too.

Mrs. FOREMAN. We represent the Consumers Federation of America, the Nation's largest consumer organization. I would like the record to take special note of the breadth and depth of the kind of people who belong to Consumer Federation of America.

At our annual meeting last February the delegates unanimously adopted a resolution calling for clearly marked prices on all packaged consumer commodities.

This committee has heard testimony from several food chain representatives over the past couple of weeks which have questioned the consumer's right to visible prices and have done this on three primary grounds.

First, they insist that consumers have a choice of where to shop and will not shop at stores without prices if they want prices.

Two, they maintain that they are only testing this new system, and three, they urge Congress to wait until further surveys are completed.

I would like to go briefly over those arguments.

Robert Johnson, of the Association of Retail Grocers, stated:

We believe in freedom of choice for consumers. Under our free market system consumers who want item pricing or unit pricing will indicate their preference by patronizing stores that provide them. The retail grocery business is a competitive, people-service business.

If the supermarket business were truly and universally competitive, customers would have the ability to choose where they shop. However, the industry is not very competitive in many parts of the country. In 1967 the Census Bureau reported that in 218 local market areas within the United States four or fewer food firms controlled at least 51 percent of the market.

Last summer the FTC noted that local concentration in the food industry is increasing. In the city of Washington, D.C. two firms, Safeway and Giant, control 68.2 percent of the food market. In the metropolitan area four firms control over 70 percent of the market. Giant is already installing the electronic checkout. The day Safeway installs it, the Washington area customer will have largely lost the ability to choose a market without electronic checking. Similarly Giant is removing prices from items in some of its stores that are equipped with the electronic checkout.

The day both Safeway and Giant remove prices from packages, the Washington area shopper will have lost this essential information.

Even in areas where there is sufficient competition on a local basis, many customers do not have a great deal of choice about where to shop. The trend toward regional stores rather than neighborhood stores puts a burden upon shoppers who do not have private transportation to go from one store to another. The lack of choice about where and from whom to purchase falls especially heavily upon low-income and elderly consumers.

We think it is ironic that a representative of a store in the Washington area, which is almost totally noncompetitive has advocated finding a marketplace solution to this problem. It is ironic a representative of Giant Food says let a consumer advisory committee worry about this issue when in fact Giant Food created a consumer advisory committee and created the post of consumer adviser to the president of Giant Food and then systematically rejected the opinions of the advisory committee and the consumer adviser on this issue.

The supermarkets continue to say to consumers let's work together, let's don't go to the Congress and ask them to find a solution.

Well, the consumers obviously have tried. We have gone to the supermarket industry on a number of occasions and told them this is unacceptable and the recommendations have been universally and totally rejected.

Now we think we have no solution except to come to the Government and ask for the protection of this important consumer right.

Mr. Johnson also noted:

> As independent operators, we have a special concern about the unnecessary growth of the Federal Government. As the number and complexity of Federal rules expand, the cost and difficulty of small business complying with the Federal law becomes a greater problem. These firms—mine included—cannot afford to hire batteries of lawyers, accountants and experts to meet the difficult problems of complying with Federal regulations.

While I am very sympathetic with this argument, it has very little relevance to the issue of price marking. Visible pricing legislation is simple.It mandates continuation of an exsting practice in retail grocery stores. It would require no additional staff to maintain. And if the supermarkets are using lawyers or experts to put a price on a can of peas, they are making a sad comment about the management of their stores.

Mr. Johnson raised some excellent points regarding exemptions to mandatory price marking on items that have not traditionally been marked, about sale items, and about fast turnover items such as milk and eggs. Consumer Federation of America would have no objection to exempting certain types of items which have traditionally gone without prices and items which are small and lightweight. Since warehouse-type stores traditionally operate with the lowest possible overhead, they too could be exempt from coverage under S. 997. Consumers are reasonable. Where exemptions are appropriate they can be made. Our concern is that the majority of items in grocery stores retain the information which consumers have used and need to facilitate making intelligent marketing decisions.

Mr. Joseph Danzansky, president of Giant Food, stated:

> We do not come today to ask you to decide whether prices should be left off or on. We are here to ask that you refrain from aborting a testing process that may ultimately provide great benefit for the American people.

Development of the electronic system is not a test. It is rather the culmination of 10 years of capital expenditure research and technological development.

Ten years, I might add, that went by without asking any consumer group in the country for its advice, suggestions, and/or criticisms. While the industry was experimenting, designing, and redesigning consumers were left in the dark until the system was a fait accompli. Then, with decisions made, consumers were consulted. What is happening around the country now is not a test. It is the promotion of a new product. As with all promotions, it is carried out in the most attractive surroundings; it is expensive; and the costs are passed on to the consumer.

Giant Food has installed this system in an attractive, large, new store. Their consumer advisor visits the store and speaks to consumers frequently. They have assigned extra personnel to monitor shelf prices. What will happen when the product is accepted and the promotion period ends? What will happen when the extra personnel now used are removed? What will happen when the new wears off and we get back to business as usual, when the system is installed in older stores where the customers are old or infirm or don't speak or read English?

No matter what test results are compiled from Mr. Danzansky's stores, they will not provide answers to these vital questions. Basing legislation on conclusions from Giant's stores is like judging every woman by Raquel Welch. The supposed experiment is like the CIA testing LSD on unknowing people. They say, "Here, eat a little of this LSD. If you commit suicide, we will know we were wrong."

The industry says let us remove prices, if we find cheating then we will worry about it, after the consumers have lost money, after the industry has profited. But I think you can count on it that even if this system were to go into effect and the prices were to come off and abuses were documented, you would still have the supermarket industry before you urging you not to legislate on this issue.

Mr. Danzansky states that for Congress to act on S. 997 now "might very well burden the consumer with unnecessarily high prices, less efficient service, and a less productive food distribution system." He implies that the success or failure of the electronic checkout system rests on the ability to eliminate visible pricing. If this is true, the Grocery

Industry's Ad Hoc Committee on UPC has been misleading the supermarkets for a long time. Their figures indicate that the savings from not price marking individual items are only a small percentage of total savings.

The industry indicates that about 20 percent of the so-called hard-savings from the electronic checkout system are attributable to not price marking. Hard savings also include reduction of storefront personnel and overrings. "Soft savings," that is, those savings that are gained from improved inventory control and automatic reordering, are estimated to be equal to hard savings. Therefore, the savings from not price marking are only about 10 percent of the total savings in the system. But the savings from not price marking may be only half that large because this 10-percent figure includes the cost of remarking and I think all of us consumers would give up remarking. If you add in the new cost of improving shelving and policing shelf markers, the savings are reduced even further. On a $50 basket of food, the customer would save about 16 cents. If the customer spends $3,000 per year on food, he would save less than $10.

The supermarket would still save. A store with $3 million annual sales and no visible prices could save about $23,000 a year. It would cost the store about $225 per week to provide this service. Several industry representatives have stated that price removal is not necessary to install the system.

Mr. Danzansky and other industry witnesses also point to the improved checkout tape as a reason why price-marking legislation should not be enacted. Testimony by other witnesses last week indicated some of the shortcomings of the cash register tape. Most importantly, the industry witnesses insist upon referring to the improved tape as a tradeoff. Give up the individually marked item and get the tape in return. We must emphasize again and again that there is no tradeoff necessary. Consumers can have, should have, and want to have both the detailed tape and visible prices. The tape is of no value to the shopper when the shopper is at the checkout counter. There is no ability to use that tape to make sure the correct price is being rung up. The tape is not something the industry devised to replace visible pricing. It is part of the technology of the electronic checkout system.

Also last week the chairman of the board of Wegman's Food Markets of Rochester, N.Y., detailed a study currently being sponsored by the Public Policy Subcommittee of the Ad Hoc Committee on UPC. He told you that the grocery industry has commissioned Michigan State University, under the direction of Dr. Jack Allen, to do an indepth research study on the subject of price consciousness on the part of the supermarket customer. In conclusion he stated: "I do not feel that legislation requiring all grocery items to be individually priced is wise at this moment because the food industry has not had time to assess either the economic advantages or the consumer's reaction to price removal. Hopefully, our research may be of help."

To stall Federal legislation dependent on the outcome of the MSU survey would be a grave mistake. Dr. Allen himself told the first consumer briefing session that his data "probably will be inconclusive." His reasoning was based on the small sampling of stores and the fact that store managers will know they are being researched. We also question the objectivity of any study which is funded by the industry.

Further, we question the credibility of a researcher whose work in the past has been funded by industry and whose work in the future will depend on industry contracts.

These, then are the main arguments put forth by industry. Under close scrutiny it is evident that they are seriously flawed. Consumers cannot afford to wait until the prices are all gone to act. History is replete with examples of lost rights never regained. As in the case of meat inspection and drug safety, industry's refusal to acknowledge and act to meet a consumer need has left us no alternative other than appealing to Government for protection.

Industry representatives have argued again and again that there is no need for visible pricing because the computer does not make mistakes. The electronic checkout system probably cannot cause a misring as human checkers do, but the computer is fed by human beings and the humans who feed data into the computer can make just as many errors as the humans who punch cash registers. We are not just concerned with errors, however. We are concerned with intentional fraud. Supermarkets say, "Trust us." They say, "Wait until our test results are in. We'll tell you what they are." They say, "You don't need prices on packages, the computer will know, trust the computer."

But the consumers don't trust the supermarket industry. A survey by Yankelovich, Skelly, and White for the Supermarket Institute indicates that a majority of American supermarket shoppers, 57 percent, feel that the industry is striking a poor balance between its profits and public responsibility.

Why don't consumers trust supermarkets? In the past year, four food chains, Safeway, Giant, Winn-Dixie, and Lucky—have hampered the FTC's retail food investigation by refusing to comply with subpenas for records on marketing plans, price guidelines, and store policies. The FTC is currently taking action in the district court of the District of Columbia to obtain this vital information. Fifteen food chains, including Safeway, Giant, and Winn-Dixie, have moved in Federal district court to quash an FTC request for specific price and sales information in conjunction with a special report section of their Six Cities Investigation.

Dr. Russell Parker, assistant to director of the FTC's Bureau of Economics notes that "Food chains cooperate when it is to their advantage and drag their feet when it is not." For consumers to believe that our best interests are at the heart of the decisionmaking process of the supermarketing industry would be incredibly naive."

Why shouldn't consumers trust supermarkets to program computers honestly? In the past year the Federal Trade Commission has issued complaints against seven food chains including Kroger, Safeway, and A & P for violation of the FTC deceptive advertising trade regulation rule. The FTC has charged that the firms advertised specials that were not available in the store and that they advertised one price and sold for a higher price.

These seven complaints are now in various stages of acceptance, public hearing, and litigation. The A & P case has been litigated and the administrative law judge found that chain guilty, a decision which A & P has said it will not appeal.

A recent California decision found A & P guilty of conspiring to fix the price of meat. Following trial, a Federal judge awarded a

$32.7 million jury award to a group of seven western cattlemen. Two other food chains settled out of court rather than become codefendants with A & P in that suit.

So consumers say to the food chains, "Do not withhold your records from the Federal Trade Commission and talk to us about trust. Do not overcharge us and talk to us about trust. Do not abuse us with bait and switch advertising and talk to us about trust. Your credibility with consumers is at an all time low." Way back in 425 B.C. Herodotus wrote, "Men trust their ears less than their eyes." In 2000 years, human nature has not changed in this respect.

I think all of these things are evidence that the consumers are foolish if they trust the supermarket to program computers honestly.

I think they are evidence that the Congress is foolish if it counts on the supermarkets to program computers honestly. Last week a member of the supermarket industry, Frank Montesi of Liberty Supermarkets, told this Committee: "If the price is left off the merchandise due to failure of passage of this bill, the opportunity to 'rip off' the American public will be the greatest in history."

Consumer groups, consumer protection officials, and other organizations concerned with protecting the economic interests of the American public agree with Mr. Montesi. Among those endorsing passage of legislation to require visible package pricing are the National Association for the Advancement of Colored People, the National Council of Senior Citizens, the National Consumers Congress, the National Consumers League and consumer protection officials in a number of cities and States. Consumer Federation of America joins with those groups in support of such legislation. We urge you to act quickly and positively on S. 997.

Thank you.

Senator Moss. Well, thank you, Mrs. Foreman, for a very fine statement.

I should say you women really came on strong here at the end and gave us some good arguments for the bill which I find are quite persuasive.

We have been listening to many witnesses and getting all sides that we can.

As I judge your testimony, both of you, you are not against the UPC system as such, but why do we have to sacrifice the price on the item in order to use the system.

Isn't that basically what you are saying?

Mrs. Foreman. Yes, sir. We would also like to have some guarantees from the industry which have not been forthcoming to date that this system will in fact benefit the consumer.

In my prepared testimony we make reference to the fact that they say it will shorten the time, has the capacity to shorten the time, it has the capacity to keep prices from going up, it has the capacity to give the consumer more information, but there are no guarantees that that will happen.

We would like to hear those from the industry.

Mrs. Brown. The major point, the primary concern now is the price marking. Because the UPC system is coming and we won't be able to put our fingers in there and say stop, you can't do that. So the major ultimate thrust has to be the price marking.

Senator Moss. To preserve the system which the supermarket really created by having everyone wait on himself, created by putting the price on the item, and now they want to abandon that because they have the so-called new system of automated checkout.

Mrs. BROWN. You can see of course what a step backward it is. It amazes me we have to be sitting here testifying on this. There were so many new information tools that people were for, and were going to be legislated, it is just a step backward into the Neanderthal ages to all of a sudden even have to be protesting the removal of item pricing. It is incredible.

Senator Moss. That is a thing that struck me as a little incongruous. We spent time talking about getting labeling for ingredients and nutritional factors and other information of that sort, but now we are going to see one of the most basic of all information items taken away, the actual price on the item itself.

We were talking earlier, with one of the witnesses earlier, about these warehouse stores. How should we treat them?

Mrs. BROWN. I was wondering about, in the legislation, how big, how much business the warehouse stores do, whether they would fall within the category of under a certain amount of money taken in or a certain square footage, then the legislation would not apply to them.

I think—if I am not mistaken—most of the warehouses would fall below.

They don't? They are larger?

Senator Moss. They are quite large.

Mrs. BROWN. That large in amount of business?

Senator Moss. The one witness we had here that was talking about the new stores in Texas had a picture here and it showed the volume was large and they have about $5 million gross per store so they would be large.

Now they sell in caselots. In fact, they have big super carriers in place of the cart you have in the normal supermarket in order to bring it out.

Mrs. FOREMAN. Mr. Chairman, in my written testimony I say that the Consumer Federation would not have any objection to working out some sort of exemption both for certain types of very small and lightweight items, and for some kind of warehouse distribution outlets.

Mrs. BROWN. The caselot kind of thing.

Senator Moss. That is what I was thinking about, when you sold in caselots, especially if it was a sealed case, you could have a price on the whole case rather than taking each item out to mark it.

Mrs. BROWN. Yes. But you would have to be sure it would be sold by the entire case. We don't want to see the supermarkets taking things out of cartons and selling them individually.

Senator Moss. Yes. There would have to be some drafting to be careful that would not be abused, but I can visualize the need for an exception of that sort.

Well, I thank you both very much, you and the organizations that you represent for your very vigorous development of the ideas behind this bill.

We will try to get on with the markup as soon as we can.

[Whereupon, at 12:55 p.m. the hearing was concluded.]

ADDITIONAL ARTICLES, LETTERS, AND STATEMENTS

STATEMENT OF HON. ROBERT F. DRINAN, U.S. REPRESENTATIVE FROM MASSACHUSETTS

Mr. Chairman, I appreciate the opportunity to convey to this distinguished Subcommittee my strong support for S. 997. As you know, I am a cosponsor of H.R. 4551, a House bill that is identical to this Senate legislation.

These bills would require stores to mark the price on every packaged consumer item and to display unit prices. This legislation has been stimulated by the development by the grocery industry of the Universal Product Code, a system under which a series of printed bars communicating coded information would be included on packages, to the possible exclusion of individual price markings.

I would like to divide my remarks, on S. 997 and the Universal Product Code, into four logical areas. These are: (1) possible harm to the consumer, (2) possible harm to workers, (3) possible harm to small businessmen, and (4) questions that must be answered. There are relationships between these areas. In particular, as will be discussed, the impact on small businessmen may be increased costs, which will be passed on to consumers.

I will not on this occasion comment on unit pricing, except to state that the need for unit pricing is well established, particularly in view of the recent Government Accounting Office study that shows only a small minority of consumers are able, without unit pricing, to determine which of several items costs less per measure.

POSSIBLE HARM TO CONSUMERS

The impact of the UPC on consumres has been the most discussed issue relating to the Universal Product Code. Three specific consumer problems have become most salient.

First, if prices are not marked on items, the consumer will be unable to determine if the cost of a particular commodity has increased, decreased, or remained the same. Presently, the consumer upon returning home from the store often places a newly-purchased item on a shelf next to an identical item purchased before. With prices marked on each item, changes in price are clear. But without price markings, no comparison is easily made. As a result, the consumer will take longer to realize that an habitually-purchased item has increased in price so much as to no longer be a reasonable purchase. In addition, the consumer will lose some consciousness of the inflation of grocery prices.

Second, if prices are not marked, consumers will also be unable to determine which of various competitive items, displayed in different areas of the store, should be bought. When a consumer is able to compare prices of items on the shelf with the prices of goods in the shopping cart, he or she is able to decide whether fresh peas, frozen peas, or canned peas is the best buy. The shopper is able to compare fresh peas with canned beans. But if the Universal Product Code symbols replace prices instead of supplementing them, the consumer will be able to do little more than guess at which product is most economical.

The grocery industry claims that consumers will be able to note changes in prices by comparing recent register tapes with older ones. With the UPC in use, they say, the register tape will include a description of each product purchased. Such a tape would indeed be a welcome improvement over the meaningless series of digits now spewed out by cash registers. Still, it is hard to believe that the typical consumer will sit down and first hunt through the most recent receipt for the price of a bottle of catsup and then read through several past receipts until she or he finds another catsup purchase. It is much easier for a consumer to notice a difference in price when he or she places a new bottle of catsup on the shelf next to an old bottle. In addition, as James S. Turner pointed out in the 1974 symposium held by this Subcommittee, there is no indication that different manufacturers' machines at different stores owned by different chains will print product descriptions in a way that they can be compared with each other.

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The third most commonly-noted consumer problem is that if prices are displayed only on shelf labels the consumer will not remember each item's price by the time he or she has come to the checkout stand. The consumer will therefore be unable to ascertain whether he or she is being charged the correct price. Unquestionably errors will be made: a shelf price sometimes will not be the same as the price tabulated when the UPC symbol is passed in front of the laser scanner. Without price markings on individual items consumers will not know when they are charged the wrong price.

Notwithstanding the questions of comparison of prices or accuracy of tabulated prices there remains the question of whether consumers will be able to tell what the price of an item is in the first place. Consumers will have to learn the price of an item from shelf markings. But with shelf markings come inaccurate markings, markings sliding away from items or items sliding away from markings, and shelf markings that are missing altogether. A recent federal study showed that shelf markings were missing for 10% to 20% of the products surveyed. Clearly a consumer should not have to depend on shelf markings alone.

There are other consumer issues as well. One wonders if there is a paradox in the industry's dual claims that the UPC will save time in the checkout lines and will also reduce prices by reducing the labor costs of stores. Since it will take less time for each customer to have his or her purchases tabulated, stores can save labor costs by reducing the number of cashiers. Can it be that the consumer is only trading short, slow-moving lines for long, fast-moving ones? In either case he or she will get to the parking lot in the same time.

Of course, the Universal Product Code has advantages over present marketing techniques. If, as required by S. 997 and H.R. 4551, prices are marked on individual items and unit prices are displayed on shelves, the UPC apparently would benefit grocers and consumers by providing better inventory control, fewer errors at the checkout stand, and lower labor costs.

The impact on small business and workers will be discussed later in this statement. From the point of view of the consumer, however, the issue of whether the Universal Product Code should be implemented depends on whether it is economically feasible to implement it within individual price markings and unit pricing.

One answer to this question from the Policy Statement on Item Pricing of the Grocery Industry Ad Hoc Committee on Universal Product Coding:

"Item price marking is estimated to cost approximately $1 per thousand items marked and item repricing approximately $3 per thousand items marked. Thus, current item pricing and repricing practices add between $250 and $300 million annually to food distribution costs (for non-variable weight items). On an individual store basis, this works out to about $8,000 per year in a $60,000 per week supermarket (at 1973 wage rates). The total so-called "hard" net benefits of an automated checkstand installation in such a store has been estimated at approximately $35,000 annually. Duplicate item marking would, therefore, reduce this to about $27,000 annually."

The industry thus states that with individual markings ("duplicate" markings) a $60,000-per-week store would save $27,000 annually instead of $35,000. In percentage terms, this means that even with individual markings stores would reap 77.1 percent of the proposed savings. This sort of savings, in absolute and percentage terms, indicates that the UPC system will be installed whether or not individual markings are required. Indeed, Raymond T. Bonner of Consumers Union, writing in the Los Angeles *Times*, has quoted the National Association of Food Chains as admitting that "the removal of prices is *not* necessary to install the system." Bonner further notes, "It has been estimated that less than 19% of the savings which UPC will generate results from the elimination of price markings."

The grocery industry says that after weighing costs and benefits individual retailers should be allowed to decide whether to use the UPC system. The industry committee policy statement quoted above, says,

"If he [the retailer] chooses the latter course [the UPC system], he is surely going to be extremely sensitive to any indications of consumer dissatisfaction, because he simply cannot afford to lose customers and sales volume. . . . Thus, the ultimate decision on this issue will be in the hands of the consumer, not the retailer."

This statement is misleading. The retail grocery industry is dominated by large chains. Many of the large chains are cooperating in the development of the Universal Product Code system. It appears that decisions will be made by the industry as a whole, not by individual stores. Thus the consumer in most areas will

be confronted by a choice between several stores, all of which have adopted the UPC. Thus the "ultimate decision," which supposedly is "in the hands of the customer," in fact will have been already made for him or her. His or her choice will be no choice at all.

It appears that the Universal Product Code has certain advantages. It should, however, not be implemented without prices being marked on individual items and without unit prices being marked on shelves. It appears that even with individual pricing and unit pricing the system will save stores money. But stores will not necessarily use individual pricing and unit pricing volntarily. Thus the legislation before this Subcommittee should be enacted to protect the consumer.

POSSIBLE HARM TO WORKERS

Unfortunately, the Universal Product Code's chief appeal to consumers is the UPC's chief threat to workers. The UPC's proponents say it will save money. The money saved, however, comes primarily from reduced labor costs. I am not sure we should be taking from the worker and giving to the consumer. Both workers who live on grocery clerk salaries and consumers who will be noticeably affected by a possible small decline in grocery prices are citizens of limited resources.

Presently, there are about 400,000 unionized retail clerks in supermarkets. Since there is substantial turnover in the industry, implementation of the UPC, coupled with a freeze on hiring rather than a commencement of firings, would not abruptly ruin the finances of workers' families.

Given the number of retail clerks and the projected decrease in the need for workers in grocery stores, it is clear that if the UPC is adopted all consideration should be given to implementing it in a gradual manner, to the discouragement of firings, and to other means to avoid the disruption of the lives of workers and their families.

There is also the question of working conditions. Today, many of this country's workers are alienated from their jobs. Much of the alienation stems from having to do boring, repetitive tasks. This has been seen in particular in auto plants. The UPC proposes to change cashiers from persons who determine the price of an item and ring it on the register to persons who move an item in front of a scanner than reads and tabulates the price.

No one will claim that the job of the grocery clerk is the happiest, most exciting one available. But presently clerks take a very active role. They must be alert, they must use their memories, they must take care to be accurate. Now the grocery industry proposes to make them spend their whole work day mechanically moving objects in front of scanners. Mr. Chairman, the UPC does not have just financial costs. It has human costs as well. The quality of life of 400,000 workers is at stake.

POSSIBLE HARM TO SMALL BUSINESSMEN

The implementation of the Universal Product Code has been planned by large food manufacturers and large grocery chains for their own benefit. The members of the Ad Hoc Committee whose policy statement was mentioned above, include representatives from producers such as Heinz, General Foods, General Mills, and Gerber Products and from retailers such as A & P, First National Stores, Kroger, and Winn-Dixie. With these huge corporations planning the implementation of the system, one wonders what the impact on small food manufacturers, processors, and retailers will be. The impact may be harmful.

Dr. Russell Parker, Assistant to the Director of the Federal Trade Commission's Bureau of Economics, told this Subcommittee last December that small grocers may have difficulty bearing the expense of implementing the UPC system. A result might extend beyond cases of individual small grocers suffering profit declines or being eliminated from the market; the collective result could be increased concentration in a market already dominated by large corporations.

Tom Wilson, from the consulting firm representing the Universal Product Code Council at the symposium held by this Subcommittee last year, also noted the danger to small grocers. "These systems may indeed increase the disadvantage of the smaller store versus the medium- or large-sized store," he said, "but in terms of the existing disadvantage, the change is insignificant." Wilson argued that smaller stores compete by offering "better service and other elements" rather than lower prices. At some point, however, prices in smaller stores may

become so much higher than those of larger markets that better service will not be able to hold customers.

Wilson also stated that it is likely that warehouses owned by store chains will probably conduct some of the processing of data generated by individual stores. The implication is that it is more efficient to process data from many stores at one location rather than to process data for each store within its own confines. Again, we have the problem of placing small independent grocers at a disadvantage. If these grocers are driven out of business, we will have problems of both unemployment and increased concentration in the industry. Increased concentration due to the elimination of small stores would in all likelihood result in higher prices, as large, impersonal stores no longer would have to use price to attract customers away from small stores offering more personalized service. Thus low prices in 1976 could, due to the elimination of small grocers, be the father of high prices in 1980.

But the potential harm caused by the UPC to small business does not stop with retailers. Small food manufacturers and processors are also endangered. These small businessmen will be required to modify their physical plants and their procedures. The survey of small and medium size food manufacturers and processors, conducted last year by this Subcommittee, indicated that a number of such businesses felt coerced into implementing the UPC. They believed they had no choice in the matter. One stated, "We feel noncompliance with the program could jeopardize our very existence."

Also alarming, especially from the consumer's point of view, is the fact that survey replies indicated virtually without exception that adoption of the UPC would result in higher costs at the manufacturing or procesing level and that these costs would be passed on to the consumer. These are not small costs. One respondent, engaged in both manufacturing and processing, said implementing the Universal Product Code would require artwork and printing plates, UPC films and monitoring equipment, back labels or stickers, and labeling machines; this business estimated the additional cost of labeling machines alone at $500,000. So one must ask the question whether the savings at the retail level will be offset by increased costs at the manufacturing and processing levels.

QUESTIONS TO BE ANSWERED

As I stated at the beginning, there are, in addition to the potential harms of the UPC system, numerous questions that must be answered. One is whether we can base our determinations on the information we have. From what I can see, almost all the non-opinion data we have—especially figures relating to cost-savings—come from the grocery industry. The industry, of course, wants to encourage the implementation of the UPC. Thus it is reasonable to question industry information.

A related question is whether industry information based on experimental stores can be trusted as representative of how stores in general will be operated if the UPC is introduced. As Richard McAllister, Vice President of the Retail Clerks International Association, pointed out before this Subcommittee last year:

"We are talking about stores where the clerks are increased substantially. We are talking about RCA having five of their best engineers standing there, and supervisors from the companies with ties and white shirts, and if a customer had a question anywhere in the store, they had an answer right away. We were talking about an operation that would have very little correlation with a foodstore that would be operating if this system were universally adopted."

Another question that must be answered is whether there is any assurance that any cost savings will be passed on to consumers.

Other questions have been discussed above: will increased costs at the manufacturing and processing levels offset savings at the retail level? Will checkout time at stores really be faster?

Mr. Chairman, my main purpose in commenting on the Universal Product Code has been to promote the adoption of S. 997 and the identical H.R. 4551, which would require markings of individual packages and would require unit pricing. But, as is now clear, I have taken the liberty to comment on problems of the Universal Product Code that are outside the scope of this legislation.

It is not clear that the Universal Product Code should be implemented or that it shouldd be prohibited. It is also not clear whether, even if its harms to outweigh its benefits, government intervention is the proper way to discourage implementation. What is clear, Mr. Chairman, is that many serious questions must be answered before action is taken either to promote or discourage this

system. We must ask about the impact on consumers, workers, and small businessmen, keeping in mind both financial costs and human costs. When our questions are answered we will know whether the Universal Product Code is one of the examples of modern technology that superficially appears to promote progress but in fact makes life a little more costly and a little less pleasant.

STATEMENT OF HON. JIM MOAKLEY, U.S. REPRESENTATIVE FROM MASSACHUSETTS

Mr. Chairman, the annual cost of the Agriculture Department's moderate cost food plan for a four person family has increased more than 54 percent between September, 1971 and August, 1975. In dollars and cents this comes to an increase of approximately $1,200 per family. Unit pricing and price markings are valuable attempts to fight this inflation.

This has led to loss of confidence in the food system and in government regulation of the food manufacturers and the chain stores.

The Price Disclosure Act will obligate retail distributors generally and groceries specifically to mark a price on each package in the store. Additionally, unit prices on items will be mandatory.

This measure is one of the most important vehicles for consumers to fight spiraling food bills.

Many say that this legislation will be more costly for the consumer. A recent study conducted by the General Accounting Office (GAO) states that the savings a consumer receives more than offsets the cost of implementing a unit pricing plan. We will be able to evaluate which product is the best value at a glance.

Many say that this legislation will interfere with new automated check stand equipment more commonly known as Universal Product Coding (UPC), which will price items by a computer scanner. It is my view that price marking must continue with UPC. Otherwise, although the computer will know the prices of items, the consumer will not and buyers will not be able to compare prices from week to week.

Many say that price marking and unit pricing are already done automatically. A GAO study found that shelf prices are wrong 20% to 50% of the time.

Mr. Chairman, consumers have a right to know the accurate prices of items. Consumers have the right to have as much information as possible on prices so that each of us can shop as quickly and cheaply as possible. The Price Disclosure Act will take a giant step in bringing this about.

STATEMENT OF HON. CARDISS COLLINS, U.S. REPRESENTATIVE FROM ILLINOIS

Mr. Chairman and Subcommittee Members: As a cosponsor of H.R. 4150, introduced by Representative Harold Ford of Tennessee, I appreciate being given the opportunity to submit this statement about the Universal Product Code (UPC) which, as you know, is a computerized check-out system being introduced in many supermarkets around the country. The UPC system consists of an indecipherable price tag and product information label which is affixed to each unit of goods but which can be decoded only by a special computer scanner located at each check-out counter not by the purchaser. Implementation of the UPC system means the substitution of a code of bars and symbols for the traditional numerical pricing of individual retail items and, therefore, an accompanying severe reduction in the ability of the consumer to compare prices quickly and easily.

H.R. 4150 has been designed to correct this abuse of consumers' rights by amending the Fair Packaging and Labeling Act (15 U.S.C. 1453) to require that each packaged consumer commodity which is offered or displayed for sale be plainly market to show its selling price.

With high unemployment and soaring inflation, prudent shopping which is essential cannot and will not be a reality if the supermarkets substitute UPC for price labels. For the consumer, for example, the cash register slip will be the only information available on product prices once the shopper leaves the store premises. While shopping, a consumer will be unable to make even a rough estimate of the total cost of the products being collected in the basket. In addition, comparison shopping from one aisle to the next or from one shopping day to another will be virtually impossible. There is also the obstacle

of checking the accuracy of the computer terminal in registering the code since the shopper would be required to remember the shelf price of each product in the basket. Furthermore, as many consumer organizations have already pointed out, consciousness of food costs and price rises come in great part through constantly noticing prices on food packages stocked at home. This educational tool would be lost with the elimination of price marking.

I urge this Subcommittee to support H.R. 4150 and thereby insure the rights of consumers will not be violated.

STATEMENT OF ELLEN ZAWELL

There has been a good deal of comment in these hearings about a research project conducted by the food industry related to the subject under consideration. I appreciate the opportunity to present to this Committee my views and descriptions of what is a new and unique procedure.

In evaluating any research project, it is important not to confuse the process with the findings and any assumptions drawn by different parties as to what those findings mean. I believe that it is important for this Committee to be able to differentiate objective practice from positional policy. To that end, I will do my best to describe the nature of the problems under study, the manner in which those problems are approached, and the difficulties of developing measures and objective tools in the evaluation of consumer behavior.

Nature of the problem

The development of the Universal Product Code by the food industry has raised serious questions in the public interest. These concerns fall into three broad categories: that of privacy, competition, and consumer information. It is this third category which is being addressed by this body and the legislation under consideration. In specific terms, the industry has maintained that price information may be delivered without item pricing, while many groups have maintained that the loss of item pricing will rob consumers of essential informaton, both in the marketplace and at home.

The real question is, can we separate the problem of information delivery from the problem of information management?

In an effort to evaluate how consumers obtain and retain price information at the point of purchase, the Public Policy Committee of the Ad Hoc Committee on the Universal Product Code has undertaken a research study commissioned through McKinsey and Company, management consultants.

Manner of approach

For several years now consumers and consumer leaders have been seeking a method of inclusion in decision making on issues surrounding the UPC. Since 1972 Mr. James Turner has actively sought consumer input in the development of the symbol itself and the manner in which the industry uses the information available to it. In 1973 consumer organizations and consumer leaders joined Mr. Turner in active discussions with representatives of the supermarket industry regarding these issues. We specifically requested the industry to maintain item pricing as an essential consumer tool for price determination and price consciousness within today's marketplace, and the present conditions of the supermarket industry.

In various regions and for some chains, consumer groups have been active participants in the development of the sales slip and, in some cases, policy. However, these isolated circumstances have not satisfied the need for a total industry commitment for consumer input. As a result, many consumer groups have sought legislation mandating item pricing both at the state and national level. As a direct response to consumer activity, the Public Policy Committee was reformed in 1974 and a research project undertaken. It is unfortunate that this process has been initiated in the atmosphere of confrontation and suspicion which developed over several years of frustrating negotiation.

Mr. James Turner was requested by the Public Policy Committee to represent the consumer interest on the subcommittee conducting the research. Mr. Turner, upon that request, contacted me, as President of the National Consumers Congress, as well as other consumer leaders, as to their feelings regarding his credibility and competence to represent the consumer in this arena. He has unparalleled qualifications to do so. He is both the leader, and the expert for the consumer in this question. I can only assume that he was given a similar vote of confidence from others in the organized consumer movement as he received

from me. It must be clearly understood that he was not representing any organization other than his own, but was acknowledged as an unimpeachable advocate in the consumer interest. All consumer activists agree with the principles of the consumer's right to safety, choice, information and redress. How these rights are guaranteed and protected are frequently issues of policy and politics.

Mr. Turner therefore has been functioning as an independent advocate, in consultation with the organized consumer movement both here in Washington and across the nation.

A second aspect of the consumer input into development of the research model and critique of its progress has been the participation of representatives of consumer organizations, organized labor, and the industry, meeting at discrete times, as a group, toward the goals of objectifying, analyzing, and participating in the research itself.

I have been an active participant in that committee. I believe at this point that it is important to state that this process is one which, I believe, represents the beginning of a new era for all concerned—consumers, industry and government. Here is a great opportunity to develop mechanisms towards obtaining objective data against which decisions can be considered. An endorsement of this process can in no way be construed as an endorsement of the findings or the product of the study. However, it is eminently clear that data will enable all parties to more accurately and honestly develop policies and decisions in the consumer interest.

The research

Research under the best of circumstances in the finest of laboratories, and under the most controlled conditions, is an indicator towards answers and a directive for further study. Behavioral research adds a good deal of art to the scientific process. And behavioral research conducted in the social environment, rather than the laboratory, is even more clouded. The study under discussion has been developed to maximize the measurement of objective behavior, to the best of our ability. Issues of opinion politics, and attitudes, have been avoided. Rather, the goal is to design a study which will measure functional reality and consumer behavior as free of attitude as possibile.

There is a broad spectrum of variables which influence behavior which cannot be eliminated. In order to control for such variables, mechanisms must be developed to statistically factor them out and isolate them from the study process. Dr. James Allen and his colleagues who make up the primary research team, are in my estimation highly sophisticated and expert scientists. Their initial report to the large consultant group indicated a refined effort at developing controls for extraneous areas. Even so, the consultant group was able to bring greater definitions and focus to these questions. I would like to present to this Committee some sense of the areas in question and the atmosphere in which they have been considered.

A general distrust of industry's intent regarding the research has clearly pervaded the consumer participation in the process. There has been expressed concern that participation and active interest in the research not be construed to be an endorsement of the results of the study or an abdication of the consumer position on policy or legislation regarding item pricing. However, I urge that we be careful not to allow these attitudes to cloud the question of the objectivity of the research.

The participants at different points in time have been representatives and leaders of the Consumer Federation of America, National Consumers Congress, National Consumers League and the Conference of Consumer Organizations. Each has brought to the sessions his or her own individual expertise and concerns. Organizational perspectives have entered the process when clarifying consumer interest and general policy orientation.

Research itself is a fairly technological process and some of the consumer participants have broader academic backgrounds than others. This combination of talents and experience has lent broad scope and opened doors for innovation. Questions have been raised regarding the reliability of the research instruments on measuring differential behavior patterns. The combination of research sophistication and clarity on policy has enabled consumer representatives to develop not only critique but positive recommendations for refinement.

The research project as defined has certain limits of measurement and scope. As a result, there is some concern among a few of the consumer participants that the industry will choose to imply that the research has successfully meas-

ured critical criteria that are not, in fact, under study. The most glaring example of this concern is the question of "price consciousness" and "price consciousness over time".

Within this area, I believe, the concern can be put to rest with a deeper and fuller definition of "price consciousness". The research team has been extremely tenacious in avoiding opinion polling and attitude assessment. They have taken great pains to try to develop a research model and tools that will measure objective and observable behavior. Therefore, it would be more accurate to describe the research as testing and measuring price knowledge and information on particular products over time. Price consciousness as defined by consumerists is an informational system which uses many tools. The consumer who is "price conscious" has a sense of broader economic and social realities which dictate purchasing and life style behavior in a wide category of activities. I believe that a totally different study would be required to examine the information and social, political and economic events which affect "price consicousness". Again, consumer participants have made this caveat known to all members of the research team and the Public Policy Subcommittee.

The study is designed to measure consumer behavior in determining the price of an item at the shelf, short-term retention of price information in the store or at the checkout counter, and long-term price knowledge over a nine-week period.

Major criteria that could possibly contaminate the results of the study, questions of comparability of the experimental and control environments, socio-economic status influences, interviewer bias, time factors, reliability and validity of the measures, and external social, economic and political forces (such as inflation). Consumer activists have recommended to the research team methods of study, and critical questions to extract these variables into measurable form. Consumer activists have recommended to the research team methods of study, and critical questions to extract these variables into measurable form.

Environment

The test stores will be operations with scanner equipment with no item pricing. The interviews conducted will be compared with similar interviews in non-scanner stores of comparable size, location and population. The problem is that virtually all scanner stores presently in operation are brand new, reflecting, of course, the most up-dated equipment, lighting and locations available to the industry today. As a result, the test environment is somewhat contaminated with unmeasurable indices of novelty grandeur and "class". In addition, most of these installations are in suburban middle and upper middle class communities, which would reflect some distortion of the population. These latter factors, however, are controllable through statistical analyses of SES (Socio-Economic-Status) data. We have recommended that in addition to comparability on demographic variables that the size and gross sales dollars be included in the statstical analysis in order to better measure the impact of the physical shopping environment.

The selected stores for the study reflect only three chains, all of which have outstanding reputations both in the industry and in the public view as being consumer oriented, well managed, supervised and controlled. Therefore, there is some concern that the results of this study will not necessarily reflect the perception and behavior of consumers for the industry as a whole. However, that is not the purpose of the study and does not impugn the objectivity or integrity of the research in examining how consumers, in fact, obtain information in a given setting.

Socio-economic status

This term is a broadly used criterion in the behavioral science community. It generally measures demographic variables such as age, sex, income, education, and family size. Criteria such as these are extremely important in assessing human behavior in a random sample study. The use of such criteria is to provide a picture of comparability of population and to differentiate any contamination of the findings which might result from an over-representation of one SES class in either the Experimental or Control groups. In order to increase the reliability of the sampling, consumer groups requested a greater randomization of the population in the following manner:

Originally, the research team had proposed that they interview only those shoppers who were engaged in "a major shopping trip". Because a "major shopping trip" is measured by gross dollar purchases (size of marketbasket), it will

differ dramatically with family size, age, and economics. We urged the team to get more detailed demographic information and randomly sample the shopper pool.

Interviewer bias

Prior research has indicated that results of behavioral studies can be greatly influenced by researchers (or interviewers) themselves. Questions of interviewer bias toward seeking a specific finding, interviewer race, sex and age, experience, and sophistication or lack thereof have all been found to predetermine, or dictate responses. This was an area of grave concern to the consumer participants of the subcommittee, particularly exaggerated by the concern that the industry "was trying to prove something". In order to preserve the integrity of the research and obtain as objective data as possible, the research team went to great lengths to select professional interviewers for the study, and conducted fairly complete and explicit training. Moreover, in the development of the questionnaire itself, all instructions were standardized, including probe questions, and repeats of the questions. No coaching or explanation outside of the standardized process was permitted.

Time and extraneous influences

Among the considerations in refining measurement was the question of store practices over time. For example: the primary question asked of consumers was to identify the price of an item chosen by the consumer from the shelf of the supermarket; for the consumer to indicate how they determined that price (whether it was marked on the package, on the shelf, through unit pricing, coupon or advertisement).

We were concerned that most consumers shop with relative frequency in the same market, and that habit and prior knowledge of how price information was delivered might influence the response. To that end, we recommend that the research team do a time audit on the condition of all stores prior to the interview date. This would provide a measure of consistency in the experimental environment. Secondly, we requested that the test stores not be "warned" prior to interview day. Clearly, the manager of any store would want his operation to be in topnotch condition when under scrutiny. Although we were sympathetic to that anxiety, we were also concerned that it would have a direct influence on the results. I think that the team was unable to comply with the "no warning" recommendation, but did go to great lengths to make sure there was no change in the operations of the store.

Another concern for extraneous influences was the impact of inflation. Prior research has also indicated that during periods of rapid change there is greater consumer awareness and sensitivity to price. Consumer groups have recommended that there be a statistical analysis of the CPI over the period of the experiment. An off-shoot of the inflation question is the practice of repricing on previously marked merchandise. Despite advocacy of a no repricing system for the supermarket industry by many consumer activists, prior research has also shown that repricing heightens consumer price consciousness (consumerist's definition) and that no repricing dulls such awareness.

Questionnaire

All three phases of the research rely on a questionnaire format for the data obtained. It would be virtually impossible for me at this time and in this form to explicitly describe the extent and nature of the points raised regarding the questions in all three phases. Mr. Turner, as an integral party to the research team, has spent incalculable hours on this process. The larger consulting body to the subcommittee has spent two full sessions, each of many hours, going over the questionnaires in detail. I, myself, have had the opportunity to recommend particular areas for questioning and the form which those questions would take. As mentioned above, there is still great uneasiness as to whether these instruments, although tested for reliability and validity, measure price consciousness. Again, understanding that this is more a question of definition than data we can examine the results within that context.

Method

The most questions used regarding the methodology of this research have to do with its relevance to the industry as a whole, and the setting in which it takes place. I urge this committee to recognize that the study in question is in fact an important first step in understanding how consumers obtain information at the point of purchase and how they retain and use that information over time.

Implications for the future

This is the first step, not only towards developing an understanding of how consumers receive information, but toward developing better methods for the delivery of that information. We are first beginning to deal with the problem of providing understandable, relevant and usable tools for the consumer. The future looks bright for increased consumer information availability through labeling and other methods. The extent to which consumers will be able to utilize such information for choosing nutritious, safe and economical diet will be greatly determined by our ability to develop meaningful tools for information delivery.

The response

I cannot applaud Dr. Allen, and his colleagues enough. Rarely have I encountered experts in a field who were willing to undergo such close scrutiny, often by neophytes. They received our participation and comments, not only with good will but with an amazing capacity to integrate the recommendations into the research model. They are in every way independent scientists, deeply interested in the question under study and committed to the concepts of research objectivity and integrity. As professionals, they deserve full credit for the thoroughness of their work. As people they deserve medals for their patience. When the process began they brought clearly to the fore, all the caveats about the definitiveness and applicability of the final results. They acknowledged the limits and clarified the benefits to be derived from the experiment. They have gone forward with dispatch and yet always with accountability. I look forward to our future meetings.

I believe it would be useful for the committee to know that this particular model for consumer input in the search for objective data, and ultimately rational decision making, is being adopted by other groups within and serving the food industry. In an age where increased technology and economic complexity make planning and policy difficult to develop, this method of joint activity may well be the road to follow.

I appreciate the Committee's indulgence for this treatise. I urgently submit that the process described here should not be used as a political football and that it be evaluated on its merits.

HILLMAN'S,
Chicago, Ill., October 21, 1975.

Hon. FRANK MOSS,
U.S. Senate,
Washington, D.C.

DEAR SENATOR MOSS: The proposed legislation Senate Bill 997 requiring mandatory unit pricing and mandatory item pricing needs more careful review by you and your Committee.

We have just finished revamping a similar Chicago ordinance which proved to be totally unacceptable to much of the supermarket industry in our city.

In regards to mandatory item pricing the legislation should not be regressive, in that it should recognize those products traditionally not priced, such as chewing gum, candy bars, packaged cigarettes, high velocity sale items and so on. Although I disagree with the legislation calling for any mandatory pricing, it appears that we will not be able to successfully influence the final outcome of this issue, but I am asking that the legislation at least recognize those cost-saving techniques which the supermarket industry has used for some time.

In regards to mandatory unit pricing we have proved to the satisfaction of Chicago's City Department or Consumer Affairs the impossibility of providing unit price information for literally thousands of items delivered by vendors directly to our stores, such as commercial breads, soft drinks and dairy products. In addition, we proved the impossibility of small, independent food stores and small independent food chains offering unit price information unless they own, operate and control their own warehouse and their own sophisticated computer. This is true regardless of the size of the store or the size of the chain. Buying through wholesalers does not automatically assure that the store has the capability of economically developing a unit price program.

When Hillman's, Inc. did have its own warehouse and its own computer, we offered unit pricing. Two years ago we changed the direction of our business, closed may stores and operate the remaining stores by purchasing grocery products from a wholesaler who does not have the capability of developing unit price tags. Since that time not one customer has requested the information which we had made available for over three years.

I urge your re-consideration on this proposed legislation, and should you have any questions regarding this letter, please don't hesitate to contact me.

Sincerely yours,

JOHN W. LOEB,
Chairman and Chief,
Executive Officer.

UNITED STEELWORKERS OF AMERICA,
Provo, Utah, October 21, 1975.

Hon. FRANK MOSS,
U.S. Senator,
Senate Office Building,
Washington, D.C.

DEAR SENATOR MOSS: On behalf of the members, and their families, of the United Steelworkers of America, Sub-District No. 5, District No. 38, I wish to communicate to you our concern over the possible threat of the Universal Product Coding system. Our Sub-District encompasses the entire State of Utah, for which you, like myself, have the privilege to represent.

I understand you are presently working for legislation that would require marking of all items in the markets so the price can be read and checked. If so, I thank you and ask how we can be of service in assisting you pass this legislation. Also, I would like to have your opinion on how we can go even further than price marking in controlling any computer pricing systems.

I would very much appreciate hearing from you at your earliest convenience.

Very truly yours,

WAYNE HOLLAND,
Consumer Representative.

CUERNAVACA, MORELOS, MEXICO, *October 24, 1975.*

Senator FRANK E. MOSS,
U.S. Senate,
Chairman, Subcommittee for Consumers,
Committee on Commerce,
Washington, D.C.

DEAR SENATOR: Thank you for your letter of October 9, 1975. I regret that because of other commitments I cannot accept your invitation to testify, and in lieu thereof, have attached a position paper relative to my views of the proposed legislation, the U.P.C., and the automated checkstand. I trust these will be helpful.

For the record, my last position in the super market industry was as Chairman of the Board of the H. C. Bohack Corporation, then a chain of 200-plus stores, with annual volume of $200 million-plus sales and listed on the American Exchange.

Respectfully,

JACK COHEN.

Attachment.

A POSITION PAPER RE: PROPOSED PRICING LEGISLATION, THE U.P.C., AND THE AUTOMATIC CHECKSTAND

The arguments given for the use of the "automatic" checkstand are that:

1. It will appreciably reduce cost of labor.
2. It will reduce price marking error.
3. It will improve inventory control.
4. It will reduce inventory out of stocks.
5. It will improve tax collections.
6. It will improve coupon accuracy.
7. It improves customer information.

The arguments given against the use of the "automatic" checkstand are that:

1. It will not appreciably reduce the cost of labor.
2. Human error at key points could *increase* the cost of price marking error.
3. Without massive changes in the attending order, transmission, buying and logistics systems, it will have no effect on inventory control.
4. Without massive changes in the operating shelf control methods, it will have little or no effects on shelf control.

5. The cost of system and equipment is so great that the economic payout is too small to warrant the investment.
6. It removes customer information at critical points.

A PERSONAL VIEW

1. *Cost of labor.*—There is currently no evidence that the scanning device will reduce labor costs. It is conceivable that the current requirement for human involvement in the system will *never* save labor, particularly with problems of random weights, locally applied U.P.C. labels, and rescans caused by shelf-worn labels.

It should be pointed out that the claims made to date for labor improvement, if accurate, generally derive from changes in design of the bagging facility, improvement of scheduling of labor, and introduction of electronic produce scales. None of these are a function of the register and are free-standing benefits available from existing technology.

An oversimplified statement.—The oldest electro-mechanic cash registers have a cycle-speed (the time to register an item from entry to readiness for next entry) faster than nearly all cashiers can currently effect. Thus the problem of speed is not in this area of activity since the right hand of the cashier is not unemployed. Rather the lag or loss time is in the left hand which concerns itself with handling and bagging the goods.

An average $10.00 transaction takes approximately 100 seconds, of which approximately 20% is ringing time. Thus if *all* the cashier time were removed and would be a savings of 0.35% of sales—thus the claims for saving are unrealistic.

The waste exists in the lag times—the delay of the bagger's time to the cashier's action, a function of the checkstand bagging function design, and the delay of the cashier awaiting the arrival of a customer, a function of improper schedule, and failure to assign alternative work.

2. *Reduction of pricing error.*—It is fatuous to assume a totally failsafe system of pricing entry in the automatic machine. Human key entry errors are large in number both for and against the customer. There is overwhelming evidence that this error nets down to the benefit of the customer. It is likely that file maintenance errors will be minimal, but they will occur on *every* transaction so mistreated until discovered, and probably will be greater than before, with no security about direction.

The legislation proposed deals with the right of the customer to know the price at three places:

(1) At the physical point of decision—the shelf.
(2) At the point of transfer of ownership—the register.
(3) At the point of reference at home.

How that occurs is *not* the customer's prerogative. If the manner by which this is to be achieved is dictated by law, *the consumer must be prepared to bear the cost* of this *possibly uneconomic method of achievement.* If the legislation is required, it seems to me that it should address itself to the ends it seeks and not to the means to achieve it. The industry, it seems to me, has an adequate staff of industrial engineers capable of determining low cost ways of achieving this end.

3. *The soft savings—inventory control, out of stocks, tax savings, etc.*—To achieve the benefits perceived (questionable in my view), there is persuasive evidence that the up-front software cost of entry into this system will be a minimum of $4 million per company—which automatically rules out all but the very largest companies. And it would take a very courageous executive to commit this much of the company's narrow capital structure and limited system personnel to such a questionable endeavor.

4. *Capital investment versus return.*—It is estimated that hardware, installation, and minimum operating software will cost approximately $200,000 per store. The latest information available to me indicates an average total investment of $500,000–$600,000 per store (dividing total company assets by total number of stores). It seems unlikely to me—with liquidity ratios being what they are—that management will invest 30%–40% of its total assets in cash registers.

And if they do, it will be over a long period of time and probably only in new and remodeled stores, which are appearing at the slowest rate in recent history because of the difficulty in raising the necessary funds.

The slowness of this market development plus the huge entry estimates of $40+ million will have a profound impact on the supplier of equipment and of the 20+ early entrants, the supply will ultimately reduce to three or four suppliers who will continue to supply the bulk of the improved traditional registers.

CONCLUSIONS

For whatever it is worth, it appears to me that a supermarket world built around an automatic checkstand is more apparent than real . . . that there will not be very many stores operating automated checkstands. That the discussion of no prices, yes prices is academic, since the foreseeable world of the supermarket for the next eight to ten years at the very least will be made up of electronic key entry machines where cashiers will read prices which appear somewhere on the product in consumer-identifiable symbols, and our sadder but wiser engineers will be at their drawing boards trying to deal with their problems where they exist and not wish them away with some "big electronic tit in the sky."

SPECIAL NOTE RELATIVE TO THE ROUND TABLE DISCUSSION

1. Continuous questioning relative to the final resting place of the assumed savings did not receive fair answers. The distribution industry is a pass through industry in which its excess facility creates excess supply and thus creates competition. It passes its cost increases through in the most limited way possible; it passes its savings through in the most grudging way possible—but it passes them through. Thus any savings generated will be passed through in lower costs of one form or another to the consumer. Not in specific, item identifiable ways, but in the aggregate cost of purchases.

2. Continuous alluding to Concentration of Power in large corporate organization. The industry in recent years has settled into three modes of ownership—the corporate giant, the cooperative wholesale-retail organization, the voluntary wholesale-retail organization. The small retailer has available to him the major advantage of cooperative or voluntary size, and the advantage of local option.

To me the danger of over-concentration in this industry is mitigated by the efficiency of the combination of the entrepreneurial owner and the service wholesaler. Corporate chain share of total market has not increased appreciably in recent years.

3. Package Goods Manufacturers—It is too bad that the U.P.C. costs they had to bear will not pay out in the near future. In spite of my apparent pessimism, I am certain that the investment in the establishment of identification by item will serve a variety of other purposes which will more than pay for their initial one time investment.

AMERICAN FEDERATION OF LABOR AND
CONGRESS OF INDUSTRIAL ORGANIZATIONS,
Washington, D.C., November 5, 1975.

Hon. FRANK MOSS,
Chairman, Subcommittee on Consumers,
Senate Commerce Committee,
Washington, D.C.

DEAR SENATOR MOSS: You are well aware of the long-standing concern of the AFL–CIO for the welfare and interests of the nation's consumers. The recent AFL–CIO Convention adopted the enclosed consumer resolution reaffirming labor's support for a wide variety of consumer programs on whose behalf the AFL–CIO will continue its legislative advocacy.

I would like to draw your attention to that part of our general resolution concerning recent proposals by the retail industry to remove prices from consumer commodities. The AFL–CIO views such proposals with alarm. They constitute a direct assault on the recent gains made in providing consumers with adequate product information necessary to enable them to make an educated choice in their selections among the great varieties of consumer commodities. Clearly removing prices from individual consumer products is a step backwards for consumers whose marketplace protections are precious few to begin with.

At the present time, the Subcommittee is conducting hearings on legislation affecting this issue, S. 997 entitled the "Price Disclosure Act" sponsored by yourself, Senators Abourezk, Case and others. The legislation basically requires the continuation of price marking on consumer commodities and therefore provides

the safeguards needed to protect consumers from unreasonable removal of price information. Thus S. 997 preserves the historical right of consumers to know the price of their products and is strongly endorsed by the AFL–CIO.

I would therefore request that this letter and the enclosed resolution be included in the hearing record on this legislation.

Sincerely,

ANDREW J. BIEMILLER,
Director, Department of Legislation.

Enclosure.

CONSUMER PROTECTION

[RESOLUTION ADOPTED BY THE 1975 AFL–CIO CONVENTION]

The sharp erosion in purchasing power and living standards due to recession, unemployment and inflation points directly to the need for substantive action to protect consumers.

Congress should promptly enact the long-delayed legislation that would establish an Agency for Consumer Advocacy. The attempts by business spokesmen and others, who seek to defeat the bill through amendments to place labor-management relations within the proposed agency's purview, should be rejected.

Many forms of insurance are a necessity for consumers, but buyers are largely at the mercy of virtually unregulated insurance companies. Therefore, we urge the Congress to take the following actions:

1—Immediately pass legislation establishing federal minimum standards for no-fault automobile insurance which will guarantee accident victims prompt and equitable compensation for their losses. By eliminating unnecessary court actions, no-fault insurance could save consumers an estimated $1 billion annually.

2—Remove state prohibitions which inhibit the marketing of group casualty insurance.

3—Undertake a full-scale, comprehensive investigation of the structure of the insurance industry, including: Discriminatory practices against consumers; rate-making; accounting procedures; interlocking relationships between insurance companies, banks and conglomerates, and whether the federal government, and not the states, should regulate this huge interstate industry.

We call for new and improved legislation to improve federal powers and procedures to inspect food processing plants and for the establishment of a comprehensive fish inspection program. A 1972 General Accounting Office study found that as much as 40 percent of the nation's 80,000 food procesisng plants were operating under unsanitary conditions, with many plants being inspected on an average of only once every five to seven years. Safety, testing and inspection requirements for drugs, cosmetics and medical devices should also be tightened.

We urge immediate congressional action to repeal the anti-trust exemption which permits the existence of so-called state "fair trade" laws, costing consumers an estimated $2 billion a year.

We support legislation at all levels of government to require price marking on consumer commodities sold at retail. Plans being made to discontinue price marking on individual products, as part of a program for installing computerized checkout stands, threaten serious problems for workers and consumers and must be opposed.

We urge Congress to proceed with the broad range of additional legislation in the areas of consumer credit, including but not limited to: regulation of consumer credit insurance; enlargement of consumer rights with respect to records kept on them by private investigating and credit reporting agencies; expansion of anti-discrimination legislation to protect disadvantaged groups, and reform of antiquated legal doctrines under which unscrupulous creditors can victimize working people and the poor.

U.S. SENATE,
COMMITTEE ON ARMED SERVICES,
Washington, D.C., November 19, 1975.

Hon. FRANK MOSS,
Chairman, Consumer Subcommittee, Senate Commerce Committee, U.S. Senate, Washington, D.C.

DEAR MR. CHAIRMAN: I have been contacted recently by several Georgia retail bakers regarding S. 997, the "Price Disclosure Act," and requesting a limited exemption for retail bakeries and other similar establishments.

While I am in favor of supplying the American consumer with a reasonable basis for comparing values among several different product brands or sizes, I must join my constituents in their concern that, as applied to concerns such as retail bakeries, price labeling and unit pricing would simply be an increased burden resulting in higher prices to the consumer.

I therefore highly recommend to your Subcommittee the exemption proposed in testimony given before you November 17th by William A. Quinlan, General Counsel of the Associated Retail Bakers of America. I believe that such an example would better comply with the spirit of unit pricing than would the existing exemption for independent individual retail establishments with annual sales not exceeding $250,000, especially in light of possible inflation.

I know you share my concern that we do not, in our sincere attempts to assist the consumer, produce an increase in the prices he pays, nor deal a lethal blow to our already over-regulated small businesses.

Sincerely,

SAM NUNN,
U.S. Senator.

COUNTY OF VENTURA,
WEIGHTS AND MEASURES CONSUMER AFFAIRS,
Oxnard, Calif., December 11, 1975.

Senator JOHN V. TUNNEY,
Senate Office Building,
Washington, D.C.

DEAR SENATOR TUNNEY: I agree that the consumer should have easy access to sufficient and reliable price information to facilitate price comparisons.

However, I personally feel that everyone is too uptight with the UPC system. As the Senator stated . . . "UPC is relatively new and untried" . . . and I feel we are jumping the gun by legislating mandatory price markings now; give it a chance to develop. There are many stores now that do not have the system and do not mark prices on items.

Presently, there are only 17 supermarkets in the United States that have installed the system and with the tremendous cost I do not feel we are going to see any fast proliferation of the units.

If a supermarket that has the system does not mark the packages with the price, I am sure if customers do not like it they will quit shopping there and go to one that does have price marked. If enough customers do that I am sure prices will be put on immediately.

I agree there is a definite need to educate the consumer in marketplace practices. This department has given top priority to education for many years and present approximately 150 programs a year on how to be a better shopper. We also have displays at libraries, shopping centers, various stores, and county Fair. In S. 997, rather than just have funding for educational aids in stores I would like to see funding available to local agencies to expand their educational activities. Person to person is much more effective.

Serious consideration should be given to having the National Bureau of Standards Office of Weights and Measures set the guidelines, rather than the FTC. If the NBS–OWM set the guidelines in a model regulation, when it is adopted at the National Conference on Weights and Measures it is immediately adopted by the individual states and is enforced at the local level by the over 5,000 Weights and Measures Inspectors.

The FTC does not have field inspectors at the local level, would be unable to enforce its provisions, and would be ineffective. The only reason the provisions of the Fair Packaging and Labeling Act are enforced is because Weights and Measures jurisdictions also adopted these provisions and enforce them at the local level. The FTC and FDA would be ineffective at the *local* level. The FTC and FDA would be ineffective without us. In fact, through our actions, we make them look good.

When Congress adopted the first Weights and Measures law in 1799 they set in motion consumer protection that is the backbone of equity in the marketplace. This was long before the FTC and FDA were ever thought of.

Weights and Measures Departments nationwide are the only governmental department whose full time job is to insure honest transactions to the buyer and seller. They are the only departments that daily have inspectors in stores nationwide to ensure that honest weight, measure, and count is given, the *labeling* is accurate, and the UPC system is not misused. They are the oldest consumer pro-

tection agency in existence and are already operating in every state. Many jurisdictions already have unit pricing and item pricing laws on the books and in many instances they are enforced by Weights and Measures.

I would like to invite you or your representative to attend the National Conference on Weights and Measures which will be held at the Shoreham in Washington, DC, July 11–16, 1976 and see what this group does. There will be over 500 in attendance from the United States and foreign countries.

Sincerely.

WILLIAM H. KORTH.

SKORNIA & ROSENBLUM,
Palo Alto, Calif., February 5, 1976.

Hon. FRANK MOSS,
Chairman, Consumer Affairs Subcommittee, U.S. Senate Commerce Committee, Russell Senate Office Building, Washington, D.C.

DEAR SENATOR MOSS: We understand that the record remains open from the November hearings of the Consumer Affairs Subcommittee on the subject of S 997, the supermarket item pricing bill. We welcome this opportunity to submit for the record economic and jobs data related to a nationwide requirement of continued item pricing if S. 997 should become law. These data have just been compiled and were not available at the time of the November hearings.

These data have been provided and reviewed by the manufacturers of automated checkout systems and manufacturers of components therefor. These manufacturers believe the showing of net job losses nationally of more than 2,000 on average over the next three years, in the event of passage of S. 997 or similar legislation, is conservative. This study has been prepared under the sponsorship of WEMA, 900 member Palo Alto, California electronics manufacturers trade organization, for which the undersigned is spokesman in this matter.

We believe that this study shows that, contrary to the arguments put forward by some elements of organized labor, more jobs would be lost to the economy by reason of the requirement of nationwide item pricing than would be granted by it.

Very truly yours,

THOMAS A. SKORNIA.

FEBRUARY 1976.

Estimate of jobs associated with the electronic manufacture and installation of automatic checkout systems in supermrakets:

It takes a yearly average of 4.6 non-store localized jobs to manufacture and install an automatic checkout system in a typical 10 lane store.

In 1980 it will take an estimated 9,200 jobs to make and install automatic checkout systems provided item pricing is not in effect and about 2,300 such jobs if item pricing goes into effect nationally.

These numbers are developed in Tables 1 and 2.

NOTES TO TABLE 1

Table 1 shows the number of localized, non-store electronic manufacturing, checkstand manufacturing and equipment installation jobs per store that are a part of each automatic checkout system.

The numbers show the sales value per employee per year for that type of business. Note that a unit is equal to one typical store which is considered to be one with 10 checkstands.

The columns are numbered from left to right 1 through 13.

Column 1 refers to the manufacturer of the system without the scanner. In other words it includes all parts of the automatic checkout system except the scanner.

Column 2. in this table. is included in Column 1.

Columns 3, 4 and 5 refer to labor that is included in the system but purchased by the system manufacturer. Column 3 refers to the integrated circuits used in the system. Column 4 refers to the subcontract labor purchased by the system manufacturer. And Column 5 refers to parts purchased by the system manufacturer.

Column 6 refers to the manufacturer of the scanner excluding the laser.

Columns 7 and 8 to parts and subcontract labor that is purchased by the manufacturer of the scanner.

Column 9 refers to the manufacturer of the laser.

Columns 10 and 11 refer to non-electronic manufacturers. Column 10 refers to the manufacturer of the checkstand and this includes mostly carpenters labor. Column 11 refers to other items purchased by the store.

Column 12 refers to the purchased labor part of the tooling and capital equipment required by the manufacturers in the preceding columns.

Column 13 refers to the purchased labor for the people who install the systems in the stores. The content of this labor may be electrical, mechanical, carpenter and/or other.

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TABLE 1

	JOBS/YEAR/UNIT													
	UNIT = Typical Store (10 Checkstands)													
	MANUFACTURERS												INSTALLERS of SYSTEMS re Remodel Stores Elect/Corp/Other	
	Manufacturers of Electronics									Non-Electron. Manufacturers		Purch. Labor Part of Tooling Optical Equip.		
	1 Mfgr. of system w/o scanner	2 Mfgr. of system sales & service	3 Suppliers to System Mfgrs: Integr. Circuit	4 Suppliers to System Mfgrs: Sub-contr. labor	5 Suppliers to System Mfgrs: Purch. Parts	6 Mfgr. of scan. w/o laser	7 Scanner Suppliers: Integr. Circuit	8 Scanner Suppliers: S.C. & Purch.	9 Mfgr. of Laser	10 Mfgr. of Check stand Corp.	11 Other Printers Testers Scales	12	13	
Sales Value/Unit / Jobs/Yr/Unit Sales/Job/Yr.	$\frac{60}{50}=1.2$		$\frac{5}{50}=0.1$	$\frac{1.2}{8}=0.15$	$\frac{10}{30}=0.33$	$\frac{30}{30}=1.0$	$\frac{2}{50}=0.01$	$\frac{10}{30}=0.33$	$\frac{1.5}{30}=0.02$	$\frac{15}{20}=0.75$	$\frac{5}{30}=0.16$	$\frac{4.5}{30}=0.15$	$\frac{8}{20}=0.4$	4.60

TABLE 2

	77		78		79		80	
	A	B	A	B	A	B	A	B
Units Sold Nationally	800	200	1200	300	1800	450	2000	500
Jobs/Unit from Table I x 4.6	3680	920	5520	1380	8280	2070	9200	2300
Clerks' Jobs Lost @ 1/Unit Cum	800	—	2000	—	3800	—	5800	—
Net Jobs	2880	920	3520	1380	4480	2070	3400	2300
Jobs Lost A-B		1960		2140		2410		1100

A Estimate of units that will be sold assuming no item pricing.

B Estimate of units that will be sold assuming national item pricing.

[Los Angeles Times, Aug. 3, 1975]

Prices: People Should Be Able To Read Them

(By Raymond T. Bonner)

Anyone who has been to the supermarket recently might be puzzled by that mysterious combination of dark vertical lines and numbers appearing on all packages—from the peanut butter jar to the magazines at the checkout counter. It's part of the Universal Product Code system (UPC), which will allow sophisticated computers, not clerks, to tabulate the shopper's bill.

This new system will help supermarkets reduce costs—and presumably increase profits. But its use will also result in consumers being denied essential price information. This is because the industry is planning to eliminate prices on individual items. In other words, computer-readable labels will replace human-readable price markings.

In fact, however, as a spokesman for the National Assn. of Food Chains has admitted, "the removal of prices is not necessary to install the system." He added that continuing to mark prices on each individual product "has no bearing on how the system runs." And it would have only a relatively small bearing on the cost savings. It has been estimated that less than 19% of the savings which UPC will generate results from the elimination of price markings.

There is a positive benefit when prices are clearly displayed on individual items. Food shopping entails many price decisions which call for rethinking a purchase. For example, a consumer may want to compare the prices of canned frozen and fresh corn, or the price of an end-of-the-aisle special with the standard shelf item. It is especially helpful for people on limited and fixed incomes to be able to tabulate their total expenditure prior to checkout.

At the checkout counter, a shopper may want to compare the price stamped on an individual item against the price shown on both the checker's viewer and the printout to make certain of not being overcharged. (Mistakes do occur in computer programs.)

Indeed, supermarket managers themselves have recognized the need for price information, but their answer to the problem is less than satisfactory. Consumers, they say, should carry grease pencils to mark the price on each item. As of now, no one has explained why that burden should be placed on consumers—when it can be more efficiently performed by grocery clerks.

According to supermarket lobbyists, price information need not appear on each item, for it will be indicated by a shelf label. This is clearly inadequate to meet consumers' needs. A recent federal study disclosed that shelf labels were missing for 10% to 20% of the products surveyed. In addition, there is no assurance that shelf labels will keep current with price changes made by the computer. Finally, even if shelf labels are accurate, as well as adjacent to the product and clearly, readable, cost-conscious buyers often want to determine the price of an item without returning to the shelf from which it was selected.

A lobbyist for the California Grocers Assn. has estimated that it would cost $250 million to $300 million a year for the nation's grocers to stamp items individually. However, Assemblyman John R. Garamendi (D–Lodi) has calculated that this would prepare only $1 per person annually—a small amount to pay for assuring ready access to price information.

It has been suggested that if consumers are truly opposed to having the individual prices removed, they should express their opposition in the Legislature and the marketplace. There is evidence that the majority of consumers do want prices to remain on items. A recent nationwide survey revealed that consumers consider the clear labeling of prices to be the most important characteristic of a store after "cleanliness."

But consumers do not even have one fulltime lobbyist in Sacramento. On the other hand, the California Grocers Assn. and the California Retailers Assn.—organizations opposed to legislation requiring prices to remain on individual items—have several at work.

The president of Lucky Stores (which has installed the computerized checkout in some branches) has argued that if consumers were opposed to eliminating prices, they could vote with their dollars by shopping in those stores which retain prices. Fine—but it, as the president of Safeway has predicted—computerized checkout is in wide-scale operation within the next "five to six years," where is the consumer to shop then?

Computerization has been heralded as a highly significant advance in making supermarkets more economical. That may be so, and cost savings generated by the new systems could result in lower grocery prices. (The president of Safeway has

candidly admitted that "maybe there won't be an immediate reduction in grocery prices.") But there is no guarantee whatever that such savings would, in fact, be passed on to consumers, rather than to shareholders in the form of higher profits.

Next week, the Assembly Finance, Insurance and Commerce Committee will consider a bill introduced by State Sen. David A. Roberti (D–Los Angeles) and already passed by the Senate that would require supermarkets to maintain a clearly readable price on each item.

In this time of soaring food costs, consumers must retain the practical tools to stretch their food dollars. Individual pricing is one such tool.

[Fortune, September 1975]

CRS-MASTER FILE— THE COMING BATTLE AT THE SUPERMARKET COUNTER

To a considerable extent, NCR's future prospects are riding on something called "point-of-sale" equipment, which consumers will be seeing more and more of in years ahead. The term applies to a wide range of equipment, from a single electronic cash register capable of capturing data on a cassette tape to a system with hundreds of cash-register terminals connected to computers.

Big retailers such as J. C. Penney pioneered development of point-of-sale because computers offered the opportunity to process economically and quickly the useful information that becomes available as sales are completed. As one department-store manager says, "For the first time, I have the information to really *manage* my business." What he principally means is that he can exercise better control over inventories. When the cash register rings up a sale of four pairs of size-eight navy-blue men's socks, a computer adjusts inventory records immediately.

Point-of-sale systems perform other tasks too. They can bill customers automatically. Electronic cash registers can calculate taxes and discounts instantaneously, and this reduces errors by salesclerks. Almost as important as improved inventory control is the ability to check customers credit by keeping a central file constantly updated.

Point-of-sale equipment is not cheap. A department-store system with eighty terminals and an in-store computer costs about $400,000. At least 125,000 units will have been installed by year-end, worth about $420 million. The New York market-research firm of Frost & Sullivan estimates that stores of all kinds may spend up to $10 billion for point-of-sale equipment by 1984.

CLERKS AT $8 AN HOUR

The greater part of that hefty market will be equipment for food stores. By the end of this year supermarkets will have installed some 26,000 units worth more than $140 million. Supermarkets are interested not only in better inventory control but also in lower labor costs. The pay is surprisingly high. With fringes counted in, a checkout clerk earns more than $8 an hour in California and more than $6 in Ohio. Supermarkets want to achieve savings by abandoning the practice of stamping the price on each individual item, and by processing customers through the "front end" of the store faster.

With a point-of-sale scanning system, the checkout clerk passes each item over a little window with a laser beam beneath it. The laser spreads a symbol imprinted on the package. The scanning unit then sends an impulse through the cash register to the computer, which looks up the price and flashes it to the cash register. Besides displaying the price, the cash reigster prints a receipt listing the price of each item by name.

Since the clerk does not have to search for a stamped-on price and punch it into the cash register, the checkout process goes a lot faster. Tests show that scanning speeds up productivity at the front end by as much as 45 percent.

A system with a computer and eight checkstands costs about $100,000, and stores estimate it will take two to four years to get back the investment. Only stores that take in at least $2 million a year can justify the expense of even a smaller system, but there are 18,000 food stores in the U.S. doing that much business. Savings are estimated at 1 to 1.5 percent of sales, or a total of something like $200 million to $300 million a year. Scanning will not be economic until about 70 percent of a store's products display the Universal Product Code, which the laser beam deciphers. For most of the big chains that point should be reached before long.

THE CONSUMERISTS ATTACK

Symbol marking has moved along on schedule, but a new impediment has slowed the industry's conversion to scanning. Consumer groups have launched a campaign to require stores to keep marking the price on each item, instead of just posting the price at the shelf. Legislation requiring that the price be stamped on every can, box, and bottle has been introduced in Congress and in dozens of state and local legislatures. Such laws have actually been passed in Connecticut and Rhode Island. Some retailers, confused and worried about the outlook for legislation, have postponed installations they had planned for this year. McKinsey & Co. estimates that supermarkets will lose about 25 percent of their estimated savings if they have to stamp prices on every item.

Despite this, industry executives believe point-of-sale automation will appear in more and more supermarkets as time goes by. "The cost of pricing each item will reduce the potential benefits we can pass on to the consumers," says John L. Dean, vice president of A&P. "But deep down, we feel scanning is bound to come."

While it may be inevitable, it is not necessarily imminent. The large supermarket chains appear to be inclined to wait for a competitor to install scanning on a grand scale. None wants to be the first to absorb the costs and risks that accompany such a significant change in operations.

There are currently twenty-one scanning test sites across the country: fifteen with I.B.M. equipment, three with Sperry Univac, two with NCR, and one with Data General. In new stores most major supermarket chains have installed electronic cash registers that can be fitted into scanning systems later on.

With so much money to be spent on this equipment, about a dozen manufacturers are squaring off for a cut-throat marketing battle. One executive observes that pinning down a solid piece of the point-of-sale market is a little like trying to "nail jelly on a wall." At least five companies can testify to the truth of this remark, because they have already dropped out, some after investing millions in research and product development.

General Electric and RCA built the first pilot systems with J. C. Penney and Kroger, but then both pulled out of computers altogether. Motorola bought a small company called American Regitel that manufactured point-of-sale equipment, but sold it after two years to General Instrument. Pitney-Bowes, through majority-owned Pitney-Bowes-Alpex, made a strong start in retail systems, then dropped out, absorbing a $37-million write-off. MSI Data Corp. of Costa Mesa, California, gave up on point-of-sale equipment only last month.

Though the field is littered with dropouts, quite a few companies have moved into it. In addition to NCR, they include Data General, General Instrument, I.B.M., National Semiconductor, Singer, Sperry Univac, and Litton's Sweda International division. Currently, the leading contender is NCR, which has sold over half the total number of point-of-sale units now installed. It offers systems that begin with an electronic cash register and can be built up to include mainframe computers.

I.B.M. does not yet offer a stand-alone electronic cash register, though it will do so next year. It markets primarily systems that include computers. The company has not sold much point-of-sale equipment to date, but as one high supermarket executive says, "I don't know anyone who believes they are not going to be a factor."

THE STAYING-POWER ASPECT

Jack Strubbe, vice president of Kroger, predicts that only four or five manufacturers will eventually survive. A number of small companies have put together point-of-sale systems, but large retailers say they intend to work with big manufacturers that, as one executive put it, "have the staying power."

Price competition will be pressuring manufacturers of point-of-sale equipment. Last year Singer lost $20 million in its information-systems division, which includes point-of-sale equipment. National Semiconductor recently rocked competitors when it offered supermarkets a full scanning system with eight checkout counters for $77,000, compared with the $100,000 or so that I.B.M. and NCR charge. The California manufacturer claims it can realize a profit at that price, and if that is true, says one competitor, "then National Semi will win most of the market."

The already intense battle to sell point-of-sale equipment will heat up over the next few years. The longer the big supermarkets put off buying, the more difficult it will be for manufacturers to continue investing in development. Before any of them make much money on point-of-sale equipment, it seems likely that quite a bit of money will be lost.

the computer-assisted checkout...

some answers



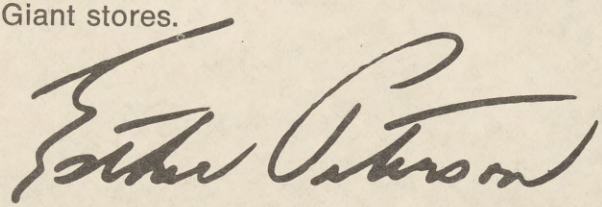
As Consumer Advisor to Giant Food I have worked closely with the development of the computer-assisted checkout. This system is part of the new technology designed to help the food industry keep expenses down and improve service to consumers.

Many consumers ask me, "What does all this mean to me? How might this system affect my shopping patterns?" We hope to answer many of these questions in this booklet.

Since Giant first began testing the system in Severna Park, Maryland in February, 1975, we have been monitoring the reactions and suggestions of consumers and employees. We have been working with a Consumer Advisory Committee to help us identify and resolve consumer concerns. We have studied costs, sales, and productivity figures as well.

This system works with or without prices on packages. We're testing both ways to determine which method is better from the standpoint of both consumers and the firm.

The computer-assisted checkout is new. We all have much to learn about its benefits, drawbacks, and the trade-offs involved in its operation. I hope you'll let me know what you think by using a comment card available in Giant stores.



Consumer Advisor
Giant Food Inc.
Washington, D. C.

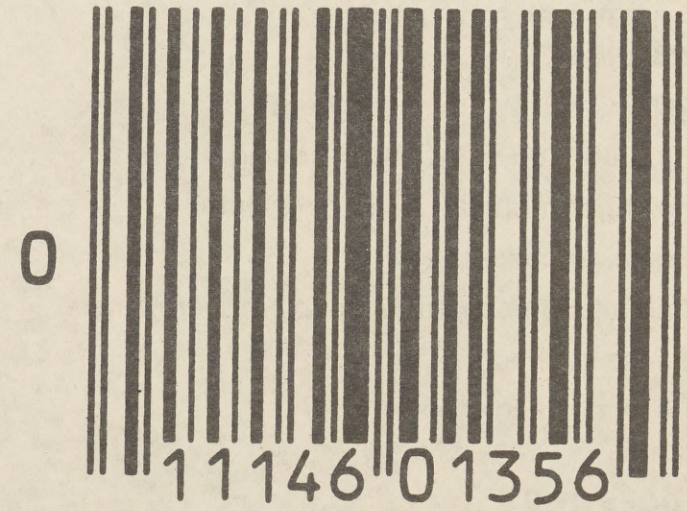
WHAT IS THE COMPUTER-ASSISTED CHECKOUT?

The computer-assisted checkout is a system whereby your purchases are checked out by a cashier who uses an electronic scanner to record your order—instead of punching cash register keys.

WHAT ARE THE MARKINGS I HAVE BEEN NOTICING ON GROCERY PACKAGES?

Those markings, or series of bars, are the Universal Product Code Symbol, UPC for short, which when passed over the electronic scanner identifies the product, the brand and the size. The symbol itself does *not* contain the *price,* but it tells the computer what the product is and the computer matches the product to the price.

AS AN EXAMPLE, GIANT TEA MIX BEARS THIS SYMBOL:



The first five digits of the code, 11146, represent the manufacturer, Giant in this case. The second five digits represent the specific item and size. 01356 is the number identifying the 24 oz. size iced tea mix. Each item has its own identification number.

Over half the items at Giant now have the UPC symbol. The remainder must be keyed in by the checker, as with conventional checkout systems.

WHY IS GIANT USING THIS EQUIPMENT?

Giant, like most supermarkets, is working to keep costs and prices as low as possible. This means increasing our productivity and efficiency. We believe the computer-assisted checkout is one way to do this. We are testing to see if this proves to be the case.

We also want to know if our improved shelf price labels and itemized receipt tapes are adequate for knowing and comparing prices accurately and easily.

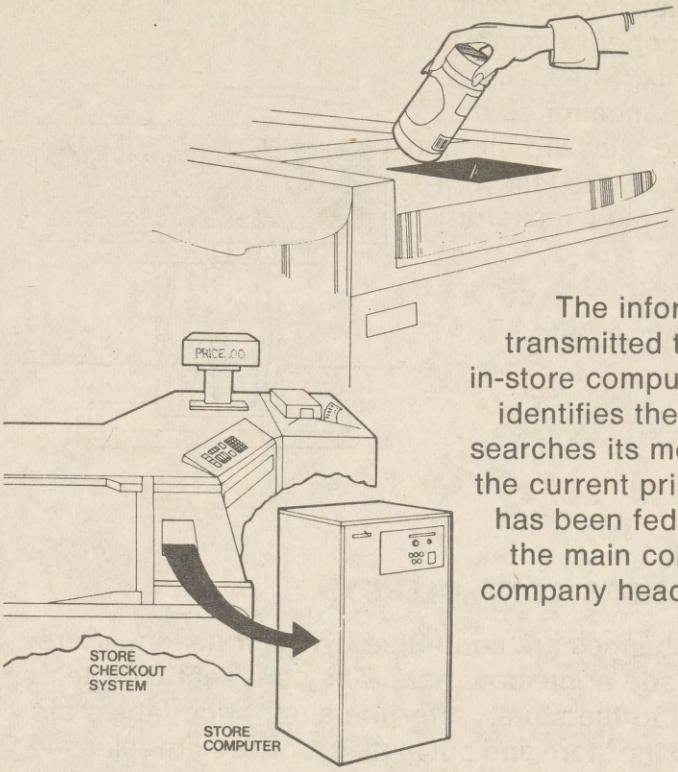
WILL THIS NEW EQUIPMENT BENEFIT THE CONSUMER?

We think so. We think the benefits include:

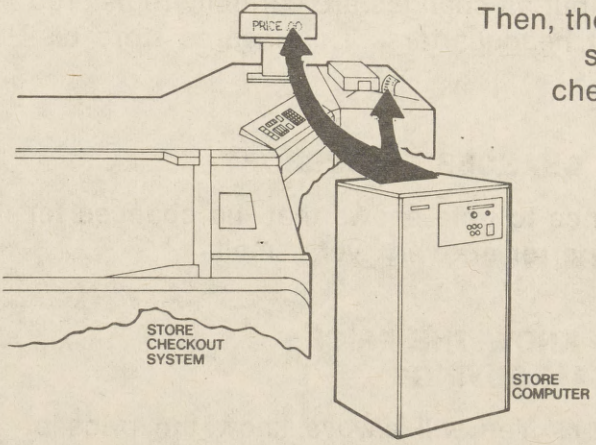
- greater accuracy, fewer pricing errors
- a more informative sales receipt
- quicker checkout
- no need to separate multiple priced items
- ease in check approval
- fully stocked shelves.

HOW DOES THE SCANNER SYSTEM WORK?

When the checker passes an item with the UPC symbol over a scanning device, the symbol is read by a low-energy laser.



The information is transmitted to a small in-store computer which identifies the item and searches its memory for the current price, which has been fed into it by the main computer at company headquarters.



Then, the information is sent back to the checkout terminal.

The price and description of the product, for example, Giant tea mix, $1.49, will be flashed on a monitor as the products are checked through. The system can be fast. If it's too fast, ask the checker to slow down.



HOW ARE PRICE CHANGES CONTROLLED?

Price changes are controlled by Giant headquarters. They are made at headquarters. They are sent over telephone lines to the store. After the shelf price labels are delivered to the store and put in place, prices are released from the computer to the checkout.

Certain prices may be reduced at the store, such as "day old" bread, but all changes are carefully registered and monitored at headquarters. This insures store discipline.

WHAT ARE THE CHANCES FOR ERROR?

Our experience to date shows that the chances for computer pricing error are very, very small.

WILL I ALWAYS KNOW THE PRICE OF THE ITEM I AM BUYING?

ABSOLUTELY. You will *always* know the price of the item as you pick it from the shelf or bin.

HOW WILL I KNOW THE PRICE IF IT IS NOT STAMPED ON THE PRODUCT?

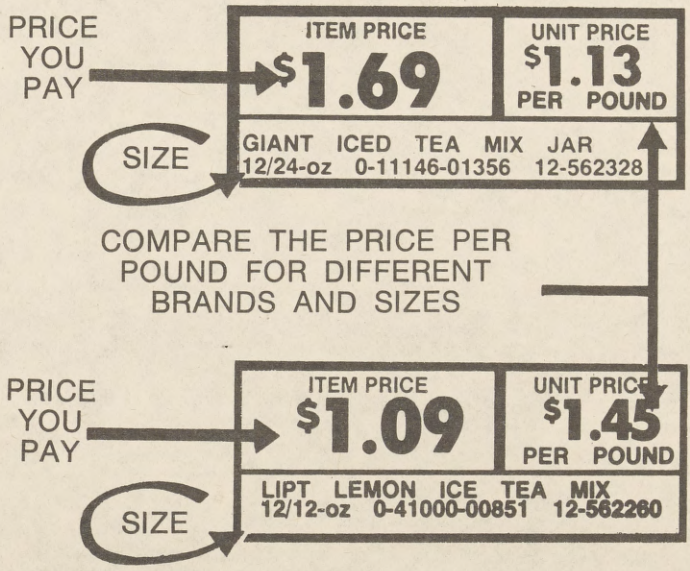
You will know the cost by looking at the shelf price label on the shelf directly beneath the product.

In some Giant stores, we are testing without prices stamped on individual products; in other stores, prices remain stamped on each item. Through this testing, Giant hopes to determine which method serves both the consumer and the firm.

WHY DOES THE SHELF PRICE LABEL HAVE TWO PRICES?

It has two prices to tell you:

1. the price you pay, which is called the *ITEM PRICE,* and
2. the price by amount, which is called the *UNIT PRICE.*



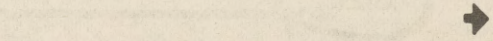
With the unit price you can compare

- *Price per POUND* (for items sold by weight, such as rice)
- *Price per QUART* (for items sold by liquid measure, such as juice)
- *Price per 100 COUNT* (for items sold by number, such as napkins)
- *Price per 100 SQUARE FEET* (for items sold by length, such as aluminum foil)

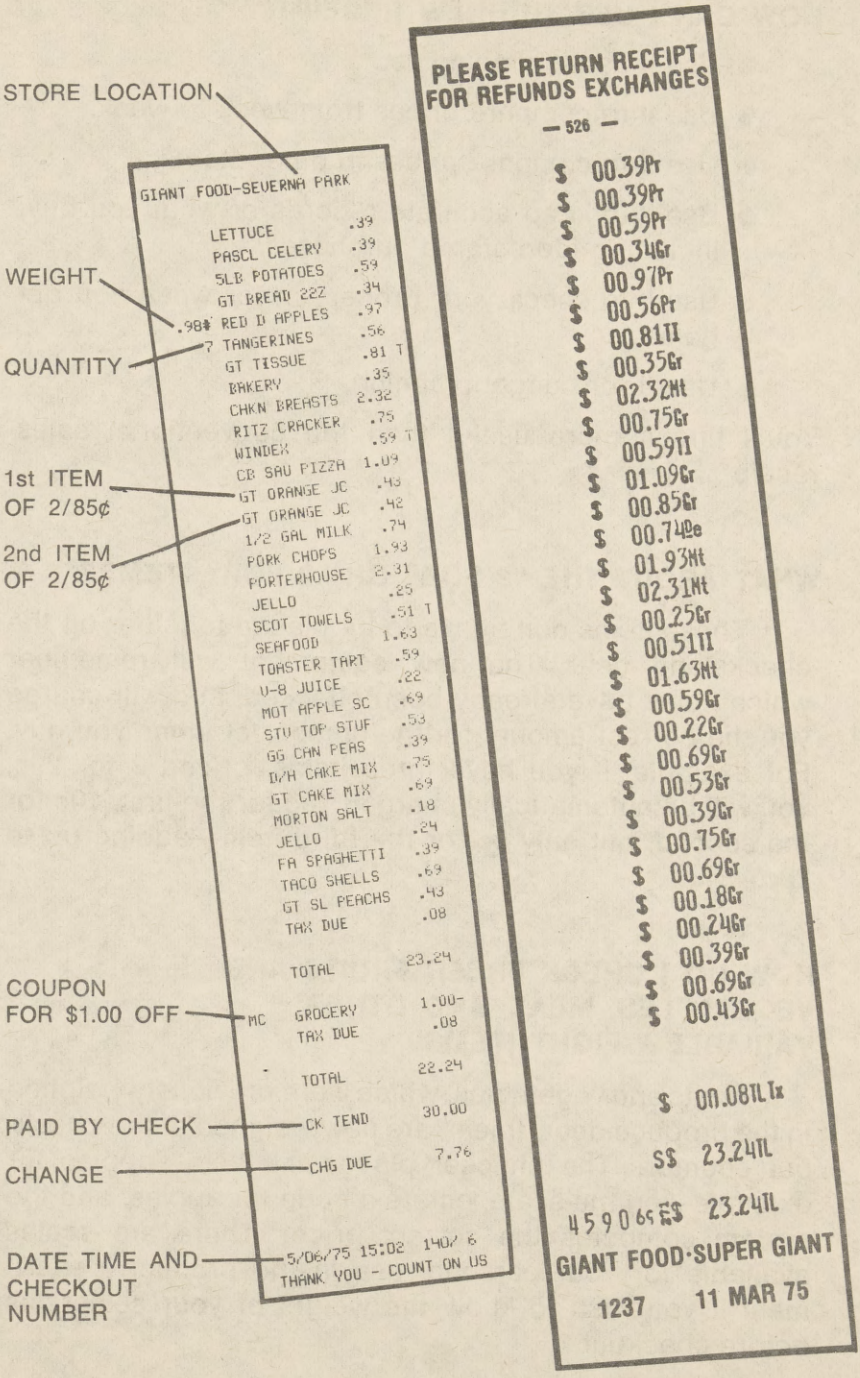
Unit pricing gives consumers the information they need to recognize which brands and sizes are truly the best buy according to price.

IS THE SALES RECEIPT DIFFERENT?

Yes. The new receipt contains much more useful information than you can find on conventional cash register slips. Note the difference below for identical purchases.



ARTWORK OF RECEIPT TAPES HAS BEEN REDUCED


STORE LOCATION
WEIGHT
QUANTITY
1st ITEM OF 2/85¢
2nd ITEM OF 2/85¢
COUPON FOR $1.00 OFF
PAID BY CHECK
CHANGE
DATE TIME AND CHECKOUT NUMBER
GIANT FOOD-SEVERNA PARK
LETTUCE .39
PASCL CELERY .39
5LB POTATOES .59
GT BREAD 22Z .34
.98# RED D APPLES .97
7 TANGERINES .56
GT TISSUE .81 T
BAKERY .35
CHKN BREASTS 2.32
RITZ CRACKER .75
WINDEX .59 T
CB SAU PIZZA 1.09
GT ORANGE JC .43
GT ORANGE JC .42
1/2 GAL MILK .74
PORK CHOPS 1.93
PORTERHOUSE 2.31
JELLO .25
SCOT TOWELS .51 T
SEAFOOD 1.63
TOASTER TART .59
V-8 JUICE .22
MOT APPLE SC .69
STU TOP STUF .53
GG CAN PEAS .39
D/H CAKE MIX .75
GT CAKE MIX .69
MORTON SALT .18
JELLO .24
FA SPAGHETTI .39
TACO SHELLS .69
GT SL PEACHS .43
TAX DUE .08
TOTAL 23.24
MC GROCERY 1.00-
TAX DUE .08
TOTAL 22.24
CK TEND 30.00
CHG DUE 7.76
5/06/75 15:02 140/ 6
THANK YOU - COUNT ON US
PLEASE RETURN RECEIPT FOR REFUNDS EXCHANGES
— 526 —
$ 00.39Pr
$ 00.39Pr
$ 00.59Pr
$ 00.34Gr
$ 00.97Pr
$ 00.56Pr
$ 00.81TI
$ 00.35Gr
$ 02.32Mt
$ 00.75Gr
$ 00.59TI
$ 01.09Gr
$ 00.85Gr
$ 00.74Pe
$ 01.93Mt
$ 02.31Mt
$ 00.25Gr
$ 00.51TI
$ 01.63Mt
$ 00.59Gr
$ 00.22Gr
$ 00.69Gr
$ 00.53Gr
$ 00.39Gr
$ 00.75Gr
$ 00.69Gr
$ 00.18Gr
$ 00.24Gr
$ 00.39Gr
$ 00.69Gr
$ 00.43Gr
$ 00.08TLIx
S$ 23.24TL
459065$ 23.24TL
GIANT FOOD·SUPER GIANT
1237 11 MAR 75

HOW CAN I USE THE NEW RECEIPT?

- Use it as a shopping list.
- Use it to compare prices from week to week.
- Use it to compare prices in other stores.
- Use it to keep accurate records of what you buy, including food stamp purchases.
- Use it to check your grocery order when you get home.
- Use it for budget planning.

You'll find it more useful than the conventional sales receipt.

WHAT ABOUT THE "3 FOR" OR "2 FOR" ITEMS?

These items don't have to be placed together on the checkstand belt. The new equipment will remember which items have already been checked, and will charge you the correct amount for the number of items you buy. For example, if you have three items, priced 3 for 29¢, you will be automatically charged 10¢ for the first, 10¢ for the second, but only 9¢ for the third item—adding up to 29¢.

HOW DO I CHECK FRESH FRUITS AND VEGETABLES, MEAT, AND OTHER VARIABLE WEIGHT ITEMS?

Fruits and vegetables, which were previously weighed in the produce department, are now weighed at the checkout counter. The checker places the item—apples for example—on the scale, enters a code for apples, and the system computes the correct price. There are scales available for your personal use in the produce department if you wish to know the weight of your selections before checkout.

Meats are packaged with special machines that print the weight, price per pound and price per package, *just as always.* However, now as the price is printed on the top of the package, an individual UPC symbol, representing the particular cut and price, is printed on the bottom of the package, so that it, too, can be scanned.

IS THE EQUIPMENT SAFE?

Yes. The scanner reads the UPC symbol by means of a low-energy laser. The laser is a source of light. Federal government authorities have ruled the laser used by these scanners as completely safe.

HOW WILL THE SYSTEM AFFECT JOBS?

This is naturally a valid concern that comes with any technological advancement. Giant has a contract with the Retail Clerks Union which states that no person will lose his or her job because of this new system. With or without the system, we look toward expansion and increased employment, rather than decreased employment.

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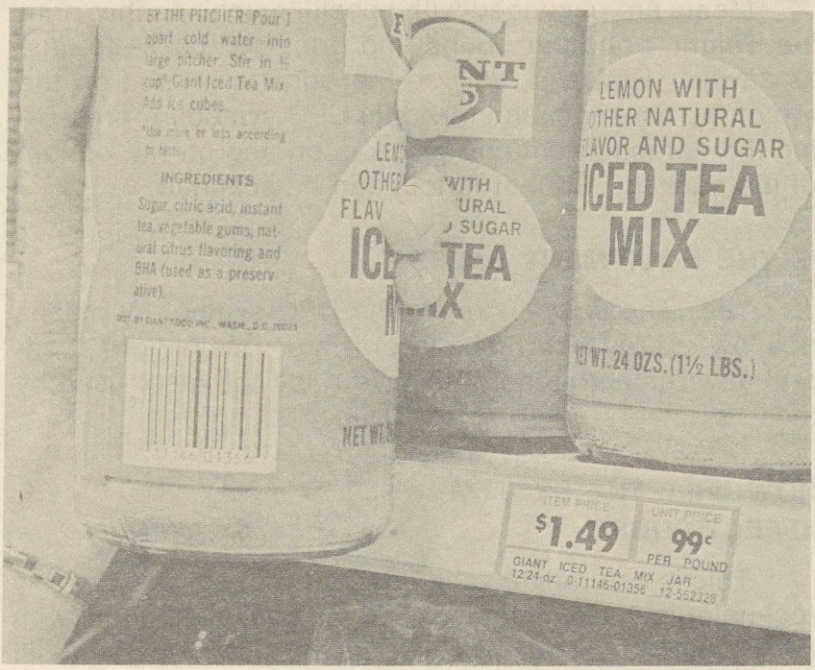


WE WANT YOUR OPINION!

You have the right to be informed about this system. If you don't understand the system or if you have something you want to tell us about it, please send in a comment card available in Giant stores. Just ask the manager. We'll answer you by letter or by phone.

GIANT

Material Submitted by Retail Clerks International Association

Ambivalence of the Supermarket Industry

If you listen to supermarket trade associations such as the Supermarket Institute, the National Association of Food Chains and the National Association of Retail Grocers of the U.S., you get the impression that the industry is unanimous in support of the computerized checkstand and the removal of item pricing and that all supermarket executives are either deified or canonized or both. Not so, as a careful reading of the trade press and other publications will reveal.

Perhaps the leading exponent of computerized checkouts and removal of item pricing is Joseph Danzansky, until recently the president of the National Association of Food Chains and also the president of Giant Food, Landover, Maryland, a 106-store chain in the Greater Washington area which has two new stores with computerized checkstands. In his public utterances, Danzansky, like many of his fellow executives, treats leaders of the consumer movement with contempt. He invariably refers to them as "consumer advocates," "consumer activists" or "consumerists." He uses these phrases almost as epithets.

Here is a report from Supermarket News on his recent keynote speech to the NAFC convention:

"Danzansky likened the consumerist movement to the early days of the labor and civil rights movements. First come leaders with special goals, such as Samuel Gompers, Martin Luther King and Ralph Nader. Then the 'charlatans jump in and the loudmouths take over.' Finally, the latter are replaced by more stable leaders who settle down to get the work done.

"Right now we're on the edge of the charlatan stage and will be coming soon into the prosaic and pragmatic approach to consumerism, Danzansky said."

The Danzansky arrogance is a direct contrast to the humility exemplified by Philip Segal, executive vice president of Almacs, Inc., a 35 unit chain based in Providence, Rhode Island. The same issue of Supermarket News that noted Danzansky's harangue against consumer leaders had this report on a Segal speech to Grocery Manufacturers Representatives of New England: Blaming the food industry's disintegrating image of poor public relations and ineptitude in explaining its position is a copout, and positive action must be taken to bring about attitude changes. Segal said:

"It is up to us to improve the system with deeds, and not just with improved public relations."

Traditional answers to critics of the food industry—citing things such as product variety, beautiful stores, service and fair profits—are not enough today, he said.

"If we have been such paragons of virtue, why are we in so much trouble? Why are we the targets of politicians, the media and almost all consumer and farm groups?"

He said there isn't a retailer or a manufacturer in the country that does not run out of a deal or advertised item at some time.

"Usually, through proper handling and the offer of a substitute or a rain check, the customer is mollified, and we think we have done our job. But what we have really done is start to build a reservoir of dissatisfaction in that customer.

"Later, when she hears of the Government or the consumer's council complaining about false advertising, she may start to think that we have in the past run out of sale items on purpose, or at the very lease . . . tend to think that maybe the Government is right and we are the bad guys.

"Add to this the other occasional lapse in our operations—such as mismarked merchandise, a fresh cashier or a manufacturer who didn't deliver a shopper's favorate brand of cereal on time."

Another problem that needs to be tackled is credibility, Segal stressed. Retailer and manufacturer ads claiming the same things, whether it be lowest price or product superiority, have surely dented the industry's credibility level, he stressed.

"Sometimes, through lack of training or supervision or just plain ineptitude, we do not use our personnel as efficiently and as effectively as they could be used, thus adding to the cost of our operations."

Why has there been such a change in attitude on the part of the government and consumers? Segal put it succinctly:

"During all the earlier years, customers tended to overlook and not get very angered by our shortcomings because food was cheap, and the weekly trip to the supermarket took an ever decreasing share of their weekly paycheck.

"But when the trend reversed itself in such proportions, in combination with other factors in the economy, the consumer, the public, the voter and hence our political leaders no longer were willing to overlook or understand our shortcomings."

Segal charged that the food industry, both retail and manufacturing, does not listen. The recent furor over removing price marking in connection with scanners is a case in point, he said.

"The industry seems to be surprised by the violent consumer reaction and legislation against this. If we had been listening to complaints about price tags and proper marking all these years, and had taken action to correct them, maybe today the consumerists would have enough confidence in us to allow price removal.

"It is interesting to note that even chains with strong consumer programs and sophisticated public-relations campaigns have run into a hornet's nest on this issue," he added.

A supermarket executive the industry wishes would just disappear is Frank Montesi, Executive Vice President of Liberty Cash Grocers, Inc., of Memphis, Tennessee. Congressman Harold Ford of Tennessee, the author of a mandatory item pricing in the House, inserted into the Congressional Record a letter that Mr. Montesi sent to President Ford:

President GERALD R. FORD,
THE WHITE HOUSE,
Washington, D.C.

DEAR MR. PRESIDENT: I have been in the retail super market business all my life, with with national chains and, presently, as an independent in a family owned business, operating eight stores of approximately 75,000 sq. ft. per unit. We operate from Birmingham, Alabama, to Memphis, Tennessee, to St. Louis, Missouri. With all my heart, I am writing you with integrity, sincerity, and love of country.

To the point, it is not in the best interest of the consuming public of this country to purchase merchandise in a super market, or any other place, without the price being marked on each and every can, or item. The so-called U.P.C. (Universal Product Code) which is to be used in conjunction with a laser-scanner, in order to speed up the checking out of groceries and reduce the cost of pricing merchandise, would be a true disservice to the American public. Even though I am a grocer, I believe that no real long range savings will be effected by leaving the price off the merchandise, because traditionally, the Labor Unions gobbled up most of the savings in a short while, and I have seen this happen time and time again.

When Mrs. Ford, as wife of a member of the House of Representatives, used to buy her own groceries, she could see the price on every item and she could have the checker slow down and observe every item transaction, to be sure that the merchandise was being rung up at the proper price. In 1981, after you all have left the White House and Mrs. Ford again goes back to doing her own shopping, under the present planned U.P.C. system, Mrs. Ford would see a shelf tag that would tell her the cost of the item, but the item would have no price stamped on it, and when she checks out her groceries, she will have no way of knowing if the shelf tag price is the price programmed into the scanner. When Mrs. Ford goes home, she can take the cash register receipt supplied by the scanner and check her groceries out in your kitchen, thus using more of her time than ever in order to buy food. In other words, the service to the consumer is going to be reduced and the only way the consumer can verify the accuracy of those items charged to her is to re-check them at home.

(The scanner people will show you that the new receipt will not only have the price, but will also have the word "beans, chili, bread, etc.".) What the scanner people do not tell you is that they are able to render to my wife and your wife that same type of receipt now, if they wanted to. But they have hundreds of millions of dollars invested in the equipment and they want the scanners in the super markets, one way or another. I have spoken with some NCR officials and their jobs are at stake and they cannot make any comment one way or another, but they know and will admit privately that the use of the scanner and UPC, as now proposed, is detrimental to the wellbeing of the citizenry of this country in a good many ways, and I will enumerate some:

(1). We have many instances of the F.T.C. levying fines against Chain Stores for advertising merchandise at one price as a "special" and then not reducing the price on the shelf. With the UPC scanner as proposed, the oppor-

tunity to proliferate this practice increases by leaps and bounds because of the speed with which the merchandise is checked out and the lack of price markings on the can.

(2). There are seven million hyperkinetic and dyslexis children and adults in this country whose ability to read is marginal. There are many millions of others who are poor and uneducated, and together these people comprise such a sizable portion of the purchasing public that it would be a tragedy for them to be burdened with having to go home and verify the accuracy of their charges. Most would be discouraged from doing this because these people are bewildered by the over-electronification taking place.

(3). It took over forty years to get the retail price for automobiles put on the window of the car itself, and cars are not purchased every week, every month, every year. Food is purchased every week and it is the right of the citizen to know the price of every item at the time that person completes his or her purchase, and it is also the obligation of the merchant, whether he sells gasoline, clothes, sporting goods, or food, to price every darn time.

Mr. President, the scanner will be in use in super markets one way or another. That's fine, but the price of the item should be stamped on the item itself so that in 1981, when Mrs. Ford goes back to buying groceries, she can tell the checker in the super market to slow down so that she can keep up with what's going on and be certain that she is getting her money's worth. Without the price on the item, the entire burden is on the consumer and the prospects of things to come stink, if you examine past history.

I am enclosing a bunch of "gobbledygook" sent to me by NCR. They claim there is misunderstanding. There is no misunderstanding. They wish to sell their equipment, and I agree that they should sell their equipment, but not at the expense of the rights of the American people.

I strongly urge, beg, and recommend that Federal legislation be passed requiring the price to be put on everything when purchased at the consumer level. It would be tragic to have it on gasoline and automobiles, etc., and not have it on the goods that sustain life. Why don't you send some folks down here to talk to some merchants who have two or three generations involved in family business who work hard to do business honorably, and let us show you just what would happen.

FRANK MONTESI.

Here are excerpts from Supermarket News coverage about a number of others who take a dim view of many supermarket practices:

Jules Rose, executive vice president, Sloans Supermarkets—As an example of what he called the industry's poor public relations approach, Rose cited scanning systems. Discussing the two test stores where prices had been removed from items, and the ensuing consumerism-union reaction which led to unfavorable publicity and State and Federal legislative efforts, he said this was "a terrible mistake on the industry's part."

Fred McLaren, president of Hughes Markets—Hughes Markets does not believe the potential savings are enough to justify the costs of installation and maintenance of electronic point-of-sale systems at the present time, and consequently has abandoned further testing of such systems, according to Fred McLaren, president of the 23-store chain. Terming its 10 months of testing two such systems "a worthwhile experience," McLaren said the chain had removed both the Data-Checker and ESIS systems "because the paybacks just weren't there for us in terms of the costs."

Charles Smith, head buyer, Perloff Brothers—"Many shoppers and unionists have already made up their minds that they will be at the mercy of the retailer and his computer once the Universal Product Code is in full swing. We should have provided concrete examples of how the entire system operates, informing consumers exactly how the system will help them. The way to bolster shoppers' confidence is by explaining the beneficial qualities, pointing out that there are a minimum of errors, if any, after full implementation of the electronic checkout system."

Why does this sort of ambivalence exist in the supermarket industry? No one talks publicly about the reason. But there is a threat, though never articulated, that runs through private conversations our local unions have had with the smaller chains throughout the country. The simple fear is that the big will get bigger and the small will disappear. The fear is that the computerized checkstand may be the vehicle that will leapfrog the industry into a "Big Three" similar to that in the auto industry.

Speaking from a very selfish point of view, it is obvious that the Retail Clerks International Association—like the UAW in auto—could probably organize a "Big Three" 100%. However fascinating that prospect might be, our union is convinced that the economic health of the nation and the industry is better for the diversity the supermarket industry currently represents.

While we recognize that there already exist too many factors in the industry that stifle competition, we are convinced that as union members and consumers we are better off without a "Big Three" in the food industry.

[Supermarket News, Oct. 13, 1975]

WASHINGTON (FNS).—The key accomplishment of the National Association of Food Chains during the past two years boils down to better relations with former adversaries—farmers, consumerists, labor leaders and the Government, believes Joseph Danzansky, who has been NAFC chairman during that time.

A lawyer by training and a conciliator by inclination, Danzansky, also president of Giant Food, Landover, Md., prefers to avoid setting up an "us versus them" situation. "Only on a 'we' basis can we get our views across," he said. Danzansky was interviewed prior to NAFC's annual convention here this week. His term as chairman ends Wednesday.

Taking the consumer advocates as an example, Danzansky pointed out that today there are few NAFC members who do not have some form of consumer representation, whether it be a consumer advisor or a panel of consumers.

Retailers, he feels, "have a responsibility to consumerists to reveal more, and consumerists have a responsibility to act responsibly."

Danzansky likened the consumerist movement to the early days of the labor and civil rights movements. First come leaders with special goals, such as Samuel Gompers, Martin Luther King and Ralph Nader. Then the "charlatans jump in and the loudmouths take over." Finally, the latter are replaced by more stable followers, who settle down to get the work done.

"Right now we're on the edge of the charlatan stage, and will be coming soon into the prosaic and pragmatic approach to consumerism," Danzansky said.

He sees the formation of the industry's Joint Labor-Management Committee as one of the factors defusing labor conflicts, noting that the cooperation of labor and management will "help us solve our labor problem."

"I'm convinced of the goodwill of labor leaders and am not worried about that segment for the long run," Danzansky commented. While there will still be isolated disputes, he does not foresee more major battles.

NAFC has also turned its attention to better relations with farmers, aiming to reduce the charges of "middle-man" profiteering and to lessen the political impact of the farm-retail price spread. NAFC has been working with what Danzansky termed "responsible" farm organizations such as the American Farm Bureau Federation. A joint meeting is scheduled for the spring.

"I feel we ought to reason this farm-retail problem out together and would like to just sit down with producers and consumers. That's been my goal since I started in this business. As we lawyers say a poor settlement is better than a good lawsuit."

The Government looms as the biggest roadblock for the food-distribution industry, in Danzansky's view. He noted that every other segment of the food industry has a representative somewhere in the Government, whether it be the Department of Agriculture, the Department of Labor or the President's consumer affairs advisor.

"We need a friend, too, and the Commerce Department has been listening," Danzansky noted, referring to recent meetings with Secretary Rodgers Morton. An in-Government advocate, he feels, could encourage moves to boost productivity and "defend us from (Agriculture) Secretary Butz."

In addition to the lack of a Government advocate, the food distribution industry also is hampered by Government intervention and probes such as the Federal Trade Commission investigation into profits and operations, being fought by Giant and three other chains—Safeway Stores, Lucky Stores and Winn-Dixie Stores.

Danzansky feels FTC is a victim of the "same frustrations that we, consumers and farmers are—inflation and unemployment at the same time."

Although he disagrees with the method FTC is using in the investigation—"Man-years are involved in getting the information, not man-hours and our attorneys are contending the request is improper and illegal"—Danzansky does not question FTC's motive.

He does challenge the motives of some Congressmen and consumerists, however, citing the proposed $5 million study suggested by Rep. Edward Mezvinsky (D., Ia.), and studies done by the Agriculture Department and FTC.

Danzansky said he "would love to have a study made of the entire food industry, but an unbiased one by a university or by the Joint Economic Committee under Sen. Hubert Humphrey (D., Minn.)."—what he calls a "scholarly" study as opposed to an "adversary" study. He feels a Joint Economic Committee study would be the type "every segment of the industry could cooperate with" since Humphrey is a "statesman." The staff could not run away with the study, and it would be more prestigious, he believes.

Among the issues such a study could explore, Danzansky suggested the relationship between productivity and number of employes at the front end; whether more money should be appropriated for the National Council on Productivity; package modularization; backhaul; regional wage differentials, and how to control price fluctuation through farm policy.

Danzansky is optimistic for the future, "although it will be tough. We're over the hump as far as profitability goes." In the shakedown, each firm has decided "profit is a necessary cost of doing business and, heaven knows, we need it to reinvest in technological advances. If we don't get on the technological bandwagon, our survival is at stake.

"I don't think there will be any more major casualties. We've looked inward and discovered profit is not a dirty word."

[Supermarket News, Oct. 13, 1975]

INDUSTRY STAND HELD 'COPOUT'

(By Jan Calkins)

RANDOLPH, MASS.—Blaming the food industry's disintegrating image of poor public relations and ineptitude in explaining its position is a copout, and positive action must be taken to bring about attitude changes.

Speaking at a meeting of the Grocery Manufacturer's Representatives of New England, Phillip Segal, executive vice president, Almacs, Inc., 36-unit chain based in Providence, R.I. stated:

"It is up to us to improve the system with deeds, and not just with improved public relations."

Traditional answers to critics of the food industry—citing things such as product variety, beautiful stores, service and fair profits—are not enough today, he said.

"If we have been such paragons of virtue, why are we in so much trouble? Why are we the targets of politicians, the media and almost all consumer and farm groups?"

He said there isn't a retailer of a manufacturer in the country that does not run out of a deal or advertised item at some time.

"Usually, through proper handling and the offer of a substitute or a rain check, the customer is mollified, and we think we have done our job. But what we have really done is start to build a reservoir of dissatisfaction in that customer.

"Later, when she hears of the Government or the consumer's council complaining about false advertising, she may start to think that we have in the past run out of sale items on purpose, or at the very least ... tend to think that maybe the Government is right and we are the bad guys.

"Add to this the other occasional lapses in our operations—such as mismarked merchandise, a fresh cashier or a manufacturer who didn't deliver a shopper's favorite brand of cereal on time."

Another problem that needs to be tackled is credibility, Segal stressed. Retailer and manufacturer ads claiming the same things, whether it be lowest price or product superiority, have surely dented the industry's credibility level, he stressed.

"Sometimes, through lack of training or supervision or just plain ineptitude, we do not use our personnel as efficiently and as effectively as they could be used, thus adding to the cost of our operations."

Why has there been such a change in attitude on the part of the government and consumers? Segal put it succinctly:

"During all the earlier years, customers tended to overlook and not get very angered by our shortcomings because food was cheap, and the weekly trip to the supermarket took an ever decreasing share of their weekly paycheck.

"But when the trend reversed itself in such proportions, in combination with other factors in the economy, the consumer, the public, the voter and hence our

political leaders no longer were willing to overlook or understand our shortcomings."

Segal charged that the food industry, both retail and manufacturing, does not listen. The recent furor over removing price marking in connection with scanners is a case in point, he said.

"The industry seems to be surprised by the violent consumer reaction and legislation against this. If we had been listening to complaints about price tags and proper marking all these years, and had taken action to correct them, maybe today the consumerists would have enough confidence in us to allow price removal.

"It is interesting to note that even chains with strong consumer programs and sophisticated public-relations campaigns have run into a hornet's nest on this issue," he added.

While there are no easy answers to the problems facing the industry, he feels there are some areas where retailers and manufacturers can help alleviate the situation in the short run.

Retailers must work to eliminate the minor sources of irritation to customers and strive to improve general store operations, he said. Second, Government agencies are forcing or encouraging retailers to improve pricing practices, unit pricing and other operational aspects, and the same holds true for manufacturers through the improvement of labeling, packaging and nutrition information.

Segal emphasized that a change in the promotion practices of some manufacturers would help credibility with consumers and improve retailer inventory position.

"By this I mean the practice where some products carry what seems to be an artificially high cost, which is used to support very large promotional allowances. Also, the practice of running one promotional allowance after another, interspersed with short periods of no allowance.

"In the first case, it must be difficult for the customer to believe we work on a low markup if we can afford to run items at 25 and 35¢ off the regular price. It seems to me that a lower level of regular cost and retail, with smaller promotional allowances, would serve the industry and the consumer in an improved manner.

"In the second instance, any pricing practice that forces us to buy and store merchandise in an artificial manner tends to increase our operating costs and to reduce our efficiency."

Segal stressed that for the long term the real answer to lower food prices is increased productivity. He pointed out that since the mid 1960s productivity, when adjusted for price inflation has actually declined, and reversing this trend will require the cooperation of all industry segments.

"Some benefits will be derived from new technology and system economies which people like Gordon Bloom (an MIT professor and supermarket expert) and his group at MIT are working on. Other improvements can be made relatively simple, such as improved delivery," he said.

"If some of your companies would expend the same amount of time, effort and follow through that you do on selling the merchandise in the first place, on making sure that merchandise arrives when you say it will, we would both be able to save a great deal of money."

Referring to high prices, the economy and consumer attitude, Segal quoted an article by Bloom, which warned: "A repetition of recent price increases could lead to Congressional attempts to regulate the food industry."

Segal added. "You only have to note the advent of rent controls in some local cities to see what can happen when a public gets aroused about high prices. A chilling fact indeed."

[From the Congressional Record, Washington, Sept. 26, 1975]

COMPUTERIZED CHECKOUT

The SPEAKER pro tempore. Under a previous order of the House, the gentleman from Tennessee (Mr. FORD) is recognized for 5 minutes.

Mr. FORD of Tennessee. Mr. Speaker, as the sponsor of legislation which mandates that prices be retained on all individual products in the face of the approaching universal product code system, I have received many supportive letters.

Yesterday, however, I received that one special letter. Mr. Frank Montesi operates one of the largest grocery store chains in Memphis. His industry, as a whole, has been opposed to my bill. Mr. Montesi, however, feels differently. In a letter he recently sent to the President and to the Tennessee delegation he

expresses with great sincerity and deep conviction why his years in the grocery industry and his concern for the rights of his consumers have led him to support my legislation. I think my fellow colleagues will find this testimonial from someone who has chosen to look beyond his own special interests quite persuasive and insert Mr. Montesi's letter in the RECORD: [1]

[Supermarket News, Apr. 14, 1975]

INDUSTRY "LACKS GUTS": ROSE

NEW YORK.—The food industry "lacks the guts to get up and say what's right for us," Jules Rose, executive vice president, Sloan's Supermarkets, charged here last week.

"We refuse to get involved on important issues," Rose said at the monthly meeting of the Grocery Manufacturers' Representatives. "We must get involved, and speak out on what we believe in."

He called on members of the food industry "to make strenuous efforts to tell our story. We can't be ostrich-like and hope consumerism goes away.

"There is too much political hay to be made" by politicians, Rose said. But they often will back down from a particular stand, if "we stand up and give them the facts."

As an example of what he called the industry's poor public relations approach, Rose cited scanning systems. Discussing the two test stores where prices had been removed from items and the ensuing consumerist-union reaction which led to unfavorable publicity and State and Federal legislative efforts, he said this was "a terrible mistake on the industry's part."

CONTINUING EFFORT

Good consumer relations must be a continuing effort, Rose said. He gave the example of Giant Food, Landover, Md., which has an excellent reputation as a consumer-minded chain, but which ran into opposition when it removed item prices in a test.

"The consumer is a very interesting animal," he said. "What you do or say may be great today as far as she's concerned, but may be completely forgotten tomorrow."

Sloan's has three stores equipped for scanners, Rose said, but has no immediate plans to go ahead with installation. When it does, he stated, item prices won't be removed until the chain is sure such a move will be accepted by customers.

Asked about expansion plans, Rose said Sloan's is negotiating to buy a group of stores in Manhattan and the Bronx. He declined to discuss the acquisition further, but it was reported the stores in question are A&P units.

When a GMR member asked him about A&P, Rose said, "A&P is closing 1,200 stores. I assume every viable supermarket entity is interested in at least some of them."

He said Sloan's is building a store at 107th St. and 1st Ave. in Manhattan and would consider expanding its New York trading area if we were able to continue "our type of merchandising program" in the suburbs.

MOST EXCITING

He characterized Sloan's as a chain which stresses in-store merchandising. "We want to be able to say we're the best and the most exciting company around," he said. "not necessarily the lowest priced. Many companies try to be all things to all people. A firm should concentrate on what it does best."

Rose asked manufacturers to reduce more prices and offer fewer deals. "Industry growth must be mutual," he said. "When a buyer asks for lower prices rather than deals, he's really saying, 'help me show consumers we want to cut back prices.' "

Government "over-regulation" of industry has resulted in higher costs without enough compensating consumer benefits, the Sloan's executive said. He cited the Vermont and Oregon laws on nonreturnable containers, and the Occupational Safety and Health Act (OSHA.)

Rose also attacked New York City's unit pricing law as "an expensive solution to what could have been a simple problem." It is virtually impossible for

[1] See p. 176.

most supermarkets to comply with the law, he said. Standardization of packaging would have been a better solution. He said the law has put a stress on quantity rather than quality, and is meaningless in some respects, such as comparing the price per pound of two types of canned peas.

STEVE WEINSTEIN.

[Supermarket News, May 5, 1975]

HUGHES DROPS ECR CHECKOUT

(By Elliot Zwiebach)

LOS ANGELES.—Hughes Markets does not believe the potential savings are enough to justify the costs of installation and maintenance of electronic point-of-sale systems at the present time, and consequently has abandoned further testing of such sytsems, according to Fred McLaren, president of the 23-store chain.

Terming its 10 months of testing two such systems "a worthwhile experience," McLaren said the chain had removed both the Datachecker and ESIS systems "because the paybacks just weren't there for us in terms of the costs." Hughes tested National Semiconductor's Datachecker system at a store in Monterey Park, Calif., for four months, then replaced it with Bunker Ramo's ESIS system at the same store for a six-month test. The systems were removed completely last February.

"The improvements in our operation weren't enough to justify the cost of the system," McLaren said. "The way we measured the results, we felt the advantages were not enough to pay for a system or its maintenance, either now or in the future."

Hughes used a look-up code for key grocery items and the electronic scale for produce, and also derived labor-scheduling benefits from the systems, McLaren noted.

He feels the experience was worthwhile, however, "because we learned from it, and if we hadn't tested them when we did, we'd probably be testing one now. It was necessary for us to test a system for ourselves."

Hughes will hold off on any future testing to see what happens with scanning, McLaren said. He has no arguments with the basic concept. "The systems are dependable—it's just that the costs are prohibitive."

Asked why many chains have been satisfied with their tests of electronic point-of-sale systems. McLaren said, "everybody operates differently, and they just didn't work out for us."

In stores where new registers are needed, Hughes will install stand-alone models, rather than complete systems with in-store computers.

Queried last summer while testing of the POS systems was going on, McLaren reported that rings per minute had increased from 15 with NCR Class 5 registers to 20 with the ESIS units; and that produce gross had risen 1 per cent.

He also said the chain had been able to schedule labor more efficiently. "And because the system uses a floating drawer for each clerk, we've been able to account for every single penny since we installed the system," McLaren said at the time.

He declined to compare the ESIS and Datachecker systems "because we didn't have Datachecker long enough to get a good reading and we didn't use the same functions on the two systems."

[Supermarket News, Mar. 10, 1975]

WHOLESALERS AIR CONCERN ABOUT NO-ITEM-PRICING

(By Joel Elson)

PHILADELPHIA.—Wholesalers are concerned about how consumers and unions will accept no-items-pricing when supermarkets begin scanning operations in this area.

The wholesalers voiced their concern during a panel discussion at a meeting of the Association of Manufacturers' representatives.

Panelists included Joseph J. Leahy, head buyer, Frankford-Quaker Grocery Co.; Charles Smith, head buyer Perloff Bros. and Herb Goldenberg, candy, cookie and snack merchandiser, Thriftway Foods, King of Prussia, Pa.

Smith summed up the sentiments of other panelists, saying it may already be too late to convince food shoppers of the beneficial effect scanning can have on food-handling methods.

"Many shoppers and unionists already have made up their minds that they will be at the mercy of the retailer and his computer, once the Universal Product Code is in full swing.

CONCRETE EXAMPLES

"We should have provided concrete examples of how the entire system operates, informing consumers exactly how the system will help them," Smith said.

"The way to bolster shoppers' confidence is by explaining the beneficial qualities, pointing out that there are a minimum of errors, if any, after full implementation of the electronic checkout system."

Smith added that, in his opinion, the industry has not shown the food shopper clearly that the Universal Product Code in supermarkets will ultimately help reduce food prices through improved distribution.

He said the assignment of UPC numbers to products presents a problem to the retailer.

"As merchandise is sold during the day, the case of goods will automatically be reordered from the warehouse that night, and I'm concerned about labor's reaction to the system."

Leahy noted that while many of the Shop 'N Bag supermarket operators supplied by Frankford can afford the costly electronic checkouts, "it becomes a delicate question to an independent before he spends that enormous amount of money. He needs to be shown, the system will prove successful beyond any doubt."

While the industry's side of the story has been told, he said, there has been no consumer advocate or consumer group to date speaking out in favor of no-item-pricing.

Commenting on the recent strike by clerks at A&P, Acme Markets and Food Fair and Pantry Pride supermarkets, Goldenberg discounted the possibility of a lot of new customers at Thriftway outlets.

"We saw some new faces in Thriftway units, but people saw the stores under the worst circumstances." He added that the extra pressure on supermarket operators during the strike changed shopping patterns only slightly.

Goldenberg also would like longer allowances, instead of extending temporary deals, and for manufacturers to "have the guts" to reduce prices so retailers can lower shelf prices. "The retailer isn't always in a position to reflect a temporary allowance."

The buyers agreed that they would consider placing an order with a supplier who had a backhaul program, over one without such a capacity.

IMPACT OF UPC ON MANUFACTURERS

Almost from the beginning of the introduction of the computerized checkstand, the Retail Clerks International Association has felt a deep concern for the impact this revolutionary device can have on the small food processor and manufacturers.

At the manufacturers level, the food industry blandly says only limited benefits are expected in four areas from the computerized checkstand: Marketing information, coupon control, prepricing and less out-of-stocks. But what the industry is failing to say is that, with more sales information at its disposal, the retailer will have increased power over the manufacturers' plans since industry inventories can be carefully controlled.

Food retailing depends heavily on the manufacturers' marketing techniques. But since new, computer-provided information could lead to more profitable shelf allocation in food stores, it could also lead to a vicious struggle over who gets shelf space. Since the smaller manufacturer has only limited marketing ability, he might have a harder time since the retailer can now point to a printout and show an item is not moving in comparable fashion to another which is backed up by much more substantial advertising and marketing programs.

Unfortunately, as a side effect of this struggle, we'll probably have a new battle of salesmen maneuvering for shelf space, thus adding even more heat to the negotiations over "clerks work" clauses.

In addition, what effect will the additional production costs required by application of UPC have on the small manufacturer? Obviously, larger, more profitable manufacturers can adjust more easily to printing symbols on their products.

For the sake of argument, let's say that it costs a minimum of $1,000 to change a label on a product. These costs would include the $250 required to join *Distribution Codes, Inc.*, $25 for each film master, the overall costs of re-designing the label and the highly variable losses incurred in destroying current useless label inventory.

To one manufacturer, with limited distribution of 30 different products, a new cost of $30,000 might be prohibitive. To another, such as General Mills, the amount could be covered out of petty cash.

But since we have a free market place, wouldn't the small manufacturer have the option of simply choosing not to affix the UPC to his products? Sure, he could—at least according to Stephen Brown, the attorney for the Ad Hoc Grocery Committee, which "invented" the UPC. Brown says this: "What has been done by this group (Ad Hoc Grocery Committee) is to simply make a recommendation to the grocery industry which is up to each individual within the industry to implement as it chooses."

If you believe that quote, you are totally unfamiliar with the facts of life in the supermarket industry. Try another quote that deals with the situation realistically: "It may soon be difficult for those items *not* bearing a UPC symbol to find a place in the retail stock pattern." Those are the words of Roger Cerwick, retail system analyst for Super Valu Stores.

Sure, the small manufacturer may elect *not* to affix the UPC symbol simply because he can't afford it. But he may also put himself out of business if he cannot "find a place in the retail stock pattern."

This prospect would not be so frightening were it not for the fact that in 1966 there were 32,500 food manufacturing firms in the United States. The largest 100 firms took 71 percent of the profit.

By 1972, the total number of firms declined to 26,800. Almost 6,000 firms went out of business and were not replaced over a period of six years.

UPC will add fuel to the fire of diminishing competition caused by more manufacturers going out of business, and the American consumer will pay the cost of the diminished competition.

[From Non-Foods Merchandising, July 1975]

NON-FOOD ITEMS LAG BEHIND FOODS IN UPC-ENCODING—NON-UPC ITEMS FACE REJECTION

ORLANDO, FLA.—"It may soon be difficult for those items not bearing a UPC symbol to find a place in the retail stock pattern," Roger Cerwick, retail system analyst for Super Valu Stores, told a recent meeting here of the General Merchandise Distributors Council.

The co-op supermarket chain executive reported he has been told by a number of product buyers that they will soon be considering elimination of purchases on non-UPC coded items because of the additional workload required.

Commenting that automated electronic checkout, using laser beam scanners reading the Universal Product Code symbol, is the most revolutionary concept the retail food industry has ever dealt with, Cerwick said Super Valu is pointing toward a third quarter 1975 scan test installation.

Following is a condensation of Cerwick's address to the GMDC meeting:

"Approximately 100 independent Super Valu retailers have installed electronic checkout systems in their stores. Although none of these are presently using scanners, a number of them have indicated that their plans include upgrading to that phase as soon as possible and feasible, and some have already placed orders for equipment for future installation.

"Feasibility is the key word here, and that would include being economically justifiable. This will depend on the percent of the consumer packages arriving in the stores bearing the UPC symbol. In order to use a scanning system effectively, we must scan as near 100 percent of the items as possible.

"This requires in-store UPC label printing and application of labels for those items not source marked. The cost to do this job presently in test or pilot stores is reportedly running about $12.00 per thousand, and the utilization of an average of 90 or more manhours per week to apply these labels.

"Obviously, these costs reduce the cost justification of these systems. It has been stated that the cost to mark these products at the source of packaging runs about 35¢ per 1000.

"Although the costs may result in some minor delay in some scanning installations, they certainly have not caused a 'cease fire' on the revolutionary front. One equipment manufacturer claims to have 16 scanning installations successfully operating. Another states they will have 50 store scanning systems in operation before the end of the year.

"Add to these the systems being implemented by other vendors, and it is not unreasonable to expect some 200 installations by the end of the year.

HOW MUCH UPC-CODED?

"Since source symbol marking is so pertinent to the use of scanners, let's take a look at what is happening in this area. One store in New Jersey, which began scanning a few months ago, found that only 13 percent of the dry groceries were source marked at that time. More recent figures showed this had increased to 25 percent.

"Brockton Public Markets recently stated that 2000 items in their store are source marked. Steinberg's in Canada are experiencing 25 percent.

"More detailed information was reported by Marsh's Supermarkets in Troy, Ohio recently. They reported the following: Grocery 27%; Packaged meat 30%; Packaged Produce 5%; Frozen Foods 30%; Dairy 20%; H&BA 1%; General Merchandise 1%.

"Surveys made by Distribution Codes, Inc., show that the East Coast stores are experiencing 50 percent of the grocery items source marked, while the West Coast has 60 percent. In both locations, non-foods are about 3 percent.

"Some manufacturers and packers have taken the wait-and-see attitude, particularly with some of the news items appearing in recent publications. However, interviews and surveys of consumers of scanning checkout stores indicate complete acceptance.

"Retailers will continue to install these systems, speeding up their customer service, giving their customers more detailed receipts and information then even before, and obtaining more managerial and merchandising data than ever anticipated.

"It is true that in-store label printing equipment has been developed—even to the amazing development of a hand-held, 6 digit, UPC label printing and applicator gun.

"But to make use of this equipment for uncoded items, it requires the development of another coding system and additional information on the item record files.

"This other code, known as the LAC (Local Assigned Code) must be assigned to these items under another set of specifications which allows a zero bypass procedure resulting in a 6 digit number and symbol. Then a scannable symbol must be prepared and applied at store level.

"With this thought in mind, suppliers can appreciate a buyer's attitude in making selective purchases of UPC items.

"We in the grocery end of the supermarket business who enjoy the integration of the more profitable general merchandise items, are anticipating and looking forward to the voluntary cooperation of the general merchandise suppliers in the application of the UPC and source symbol marking of product."

A LEGISLATIVE REPORT

The news on mandatory item-pricing legislation is all unbeat.

The legislation has already been passed by both houses and signed into law by the governor in four states: California, Massachusetts, Connecticut, and Rhode Island.

The following cities have also passed the legislation: Chicago, North Chicago, Des Plaines, Waukegan, Skokie, Franklin Park, and Granite City, Illinois; Toledo, Mansfield, and Cuyahoga Falls, Ohio; Kenosha, Wisconsin; and Rockland County, New York.

In the past year, the measure has also passed the House in Colorado, Illinois, Maryland, Minnesota, New York, Ohio, and Wisconsin and the Senate in Arkansas.

States in which the prospects for passage in the next legislative session is extremely good are: New York, Ohio, Wisconsin, New Jersey, Pennsylvania, Washington, Oregon, Minnesota, Maryland, Illinois, Colorado, and Michigan.

The Retail Clerks International Association is able to keep track of press commentary on the legislation through a clipping service. Most of the editorial comment has been negative because supermarkets are the biggest single advertisers in most daily papers. However, we call to your attention a supportive editorial carried in one of the largest newspapers in the nation, The Cleveland Press:

"Supermarkets boast that the new computer checkouts will be faster. True, But it is likely that the stores will cut down on the number of checkout lanes. That means that though each customer will be checked out faster, you will still be standing in line as long as ever.

"We favor the price marking on each item because without this there is no fast, easy way for customers to know whether the computer is correct.

"When the item is passed through the electronic field at the checkout counter, the price appears on a TV-like screen which the customer can see, but someone who has purchased a couple dozen items is not going to remember if each price on the screen is the same price marked on the shelf.

". . . The arguments of the supermarket owners against individual price-marking are not persuasive."

THREE DOCUMENTS

For the record, we would like to submit three documents we believe contribute considerable intelligence to the issue before this subcommittee: Two are from industry and a third is from the Consumer Federation of America.

The first is a publication of Distribution Number Bank, Inc., and it is entitled "The Grocery Industry's Universal Product Code." DNB is a creation of the Ad Hoc Grocery Commitee, and since the publication of this pamphlet, its name has been changed to Distribution Codes, Inc.

Our recall is that this publication first appeared in late 1972 or early 1973. Regardless of date, this document is a good summary of what "hard" and "soft" savings really mean. It represents simple and clear-cut exposition about a very complex issue in a very complex industry.

The second document from industry we would like to put into the record is "UPC Public Policy Issues: Background Information for Assistance in Responding to Consumer Groups, Legislators and Media." The document was prepared on behalf of the Public Policy Subcommittee of the Grocery Industry's Ad Hoc Grocery Committee on UPC and was prepared by McKinsey and Company, Inc., a management consulting firm retained by the committee.

While this document is dated March 19, 1975, it does not vary much in actual facts from the document mentioned above which was produced two years earlier. This paper is obviously a public relations tool and has a PC flavor, but it does have interesting and substantial information the subcommittee should have.

The third document we would like to put on the record is a publication of the Consumer Federation of America: "A New Supermarket Ripoff: Packages Without Prices."

We find this little pamphlet to be the best and most comprehensive document produced by the consumer movement on the issue of item pricing.

CFA speaks out from a very broad base. It is a federation of more than 200 national, state and local non-profit organizations that have joined together to espouse the consumer viewpoint. CFA and its member organizations represent over 30 million consumers throughout the United States. Among its members are 17 cooperatives and credit union leagues; 45 state and local consumer organizations; 66 rural electric cooperatives; 27 national and regional organizations ranging from Nationwide Insurance to the National Board of the YWCA to the National Education Association; and 16 national labor organizations, including the AFL–CIO, United Auto Workers and International Brotherhood of Teamsters.

THE GROCERY INDUSTRY'S

UNIVERSAL PRODUCT CODE

UPC

distribution number bank, inc.

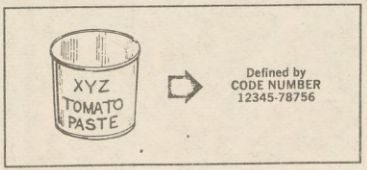
UPC UNIVERSAL PRODUCT CODE

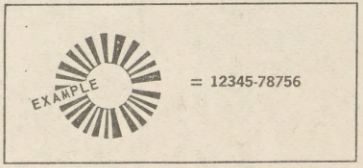
The Grocery Industry's Innovation for the 70's

After nearly 40 years of evaluation and 10 years of debate, the grocery industry is rapidly moving toward a Universal Product Code. This development is largely due to the work of an Ad Hoc Committee of top management people, representing all parts of the grocery manufacturing and distribution industry; the support of the grocery industry trade organizations; and the additional support of hundreds of companies in the manufacturing and retail segments of this industry.

DEFINITION OF THE UPC

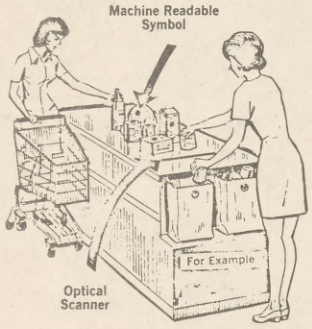
The UPC means many things to people in our industry. It should be viewed as having two related aspects: first, a code or numbering system that identifies nearly every item sold by grocery retailers; secondly, a UPC also connotes the eventual adoption of a "machine readable representation" of that numbering system to facilitate partial automation of the retail store checkout process.



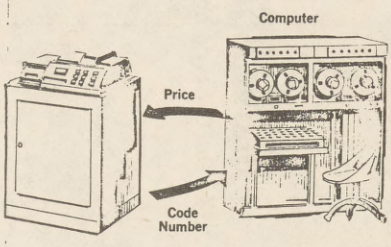


PURPOSE OF THE UPC

The UPC can be used to automate retail checkout operations.



One type of automated Checkout Uses a Bottom Slot Scanner . . . .



Hard Savings

Studies done for the Ad Hoc Committee by McKinsey & Co. with the help of many leading chains and equipment companies indicate that such automation should lead to net savings before tax for retailers equal to 1.0 to 1.5 percent of sales essentially due to quantifiable productivity savings. For example, a $40,000 per week retail store should expect to save $27,000 before tax by 1975, after subtracting depreciation, cost of capital (on a $120,000 investment), and other costs. Average return after tax on average investment over 10 years appears to be over 30 percent.

Soft Savings

Beyond the so-called "hard savings," such as increased checker productivity and reduction in price mark and reprice costs that contribute to the $27,000+ savings, a basic change will be possible in the nature of how retail businesses are run. For the first time, accurate information on what was sold will be available since every item is uniquely coded and is identified in the automated checkout process. Savings from use of those data have been classified as "soft" due to the difficulty of predicting them. Some obvious savings in this category are shrink identification by item (and presumably reduction), direct store delivery control, and a vast range of changes such as shelf allocation, instant price changes, and other merchandising changes. Some people, including the McKinsey team, believe those soft savings may eventually be more significant than the hard or productivity savings identified to date.

Industry Impact of a Universal Product Code
Estimated Costs and Benefits—1975

Source: McKinsey & Co.

($ millions)

Savings	Code Scan With Universal Product Code		
	Quantifiable	Soft	Total
Grocery—retailers/wholesalers	$488	$173	
Grocery—manufacturers	0	6	
Total	$488	$179 x 25% = $45	$533

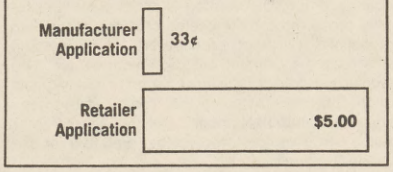
Cost	Code Scan With Universal Product Code		
	Quantifiable	Soft	Total
Grocery—retailers/wholesalers	$332	$86	
Grocery—manufacturers	30	0	
Code management function	0.3	0	
Total	$362	$86 x 25% = $22	$384
Difference Between Cost and Savings			$149

7,800 Stores Participating
75% Source Symbol Marking

SOURCE SYMBOL MARKING

The economic success of a given installation, especially the longer-term soft savings area, depends on the agreement of grocery manufacturers to mark the code number and its companion symbol on each consumer package. This is important because of the obvious efficiencies of doing it at that level together with the extremely difficult task of avoiding errors if it were to be done at store level. Hence the term source symbol marking, which refers to the percentage of non-meat and produce packages that would be coded or preprinted with code and symbol by the grocery manufacturer. To underscore the importance of this point, if the percentage of source symbol marking were reduced from 75 percent, used in the example above to 25 percent, the savings would drop from $27,000 to $10,000 per year which reduces the return on investment to an unattractive 14 percent.

Average Symbol-Marking Cost
(Cost Per Thousand)

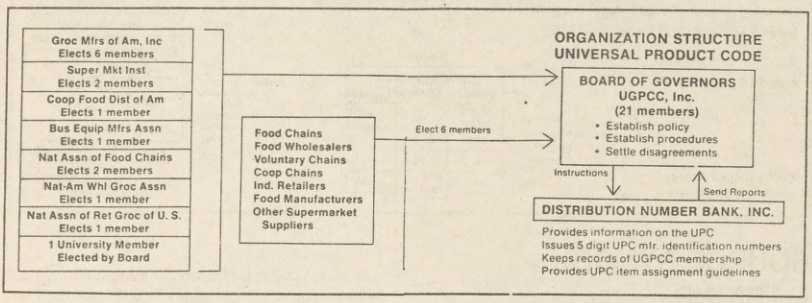


The economics depend on the agreement of manufacturers to print the code and symbol on each consumer package.

MANAGING THE UPC

The following illustration outlines the organization structure for the management of the code numbering system. First, to supervise code number management, a new corporation called the Uniform Grocery Product Code Council (UGPCC) has been formed whose 21 members are drawn from all segments of the industry. The Council has recently been incorporated and has contracted with Distribution Number Bank, Inc. to assign and maintain the manufacturer number in accordance with policies established by UGPCC.

Distribution Number Bank was created by the distribution industry to act as the national authority in assigning manufacturer identity numbers for all commodity groups and is experienced in the implementation and administration of product "number banks" for other industries including Electrical, Heating, Airconditioning, and Automotive equipment and supplies.



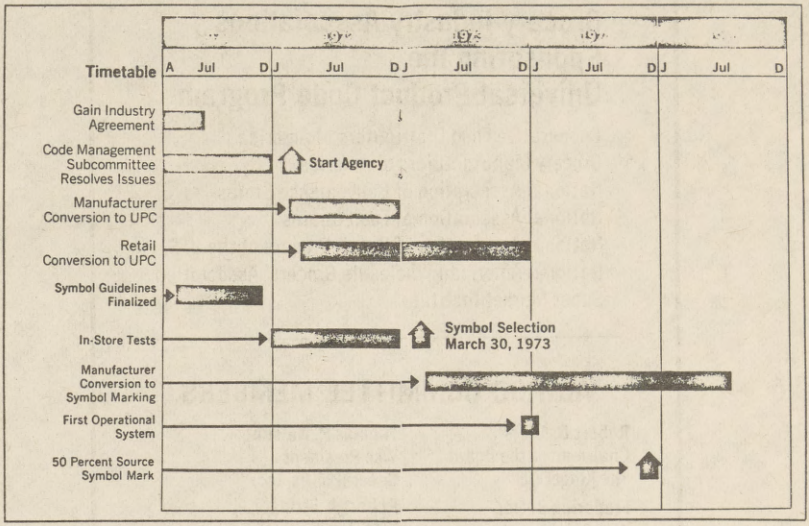
Distribution Number Bank has the unique capacity of being able to coordinate the UPC with numbering systems currently in use by other commodity groups. This is essential in the non-foods area of the grocery industry.

In its work for the grocery industry, Distribution Number Bank will perform three important functions:

1. Assign exclusive five numeric digit UPC manufacturer identification numbers as needed to any company which has become a member of the Uniform Grocery Product Code Council.
2. Provide an inquiry service for member companies to answer questions about the UPC.
3. Provide guidelines, periodically updated, to assist Council members as they assign item identification numbers.

In addition, Distribution Number Bank will record problems and suggested changes in the item guidelines, or other procedures, for review and action by the Council. UGPCC members will also receive periodic update information on many facets of the program. At some future date, if the need arises Distribution Number Bank may also offer for sale a UPC manufacturer number directory for use by the Grocery trade.

TIMETABLE FOR THE UPC



Achieving Symbol Standardization

The Ad Hoc Committee concluded that the industry should go further with the UPC and attempt to achieve a standard machine-readable representation, or symbol, of the code number. Although action on a symbol will be limited to study efforts during 1972, this section is included to inform you of the steps which will be taken to achieve retail automation.

Discussions have been held with many equipment companies around the world, a large percentage of which are currently developing devices which automatically read various symbols. Several full-scale store tests are likely in 1972, plus additional lab tests of competing symbols. These tests should provide an adequate data base upon which to make a decision on a standard symbol by March 30, 1973.

Considerable effort is planned to estimate the industry-wide cost of source symbol marking—that is, manufacturer application of symbols to each consumer package. That effort will be conducted in parallel with the 1972 testing program. Third quarter 1972 was established as the deadline for equipment companies to provide complete print specifications for their proposed symbols.

Grocery manufacturers and printers will then have the opportunity to conduct joint feasibility studies to determine the cost of manufacturer marking for each of the competing symbols. Studies will also benefit individual participating grocery manufacturers by uncovering problems and providing a valid cost estimate of marking packages for each company.

Grocery Industry Associations Sponsoring the Universal Product Code Program

Cooperative Food Distributors of America
Grocery Manufacturers of America
National Association of Convenience Stores
National Association of Food Chains
National Association of Retail Grocers of the U. S.
National-American Wholesale Grocers' Association
Super Market Institute

AD HOC COMMITTEE MEMBERS

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The Kroger Co.

Frederick Butler
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Bristol-Myers Company

R. Burt Gookin
President
H. J. Heinz Company

Alan Haberman
Executive Vice President
First National Stores, Inc.

John F. Hayes
General Manager, Mktg.
H. J. Heinz Company

Donald P. Lloyd
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James P. McFarland
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General Mills, Inc.

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Gerber Products Company

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Robert Wegman
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Wegman's Food Markets, Inc.

Raymond D. Wolfe
President
The Oshawa Group Ltd.

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Chairman Financial Committee
Super Valu Stores, Inc.

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UPC PUBLIC POLICY ISSUES:

BACKGROUND INFORMATION FOR ASSISTANCE IN RESPONDING TO CONSUMER GROUPS, LEGISLATORS AND MEDIA

Prepared on Behalf of the Public Policy Subcommittee of the Grocery Industry's Ad Hoc Committee on UPC

March 19, 1975

McKinsey & Company, Inc.

UPC PUBLIC POLICY ISSUES:
BACKGROUND INFORMATION FOR ASSISTANCE IN RESPONDING TO CONSUMER GROUPS, LEGISLATORS AND MEDIA

Prepared on Behalf of the Public Policy Subcommittee
of the Grocery Industry's Ad Hoc Committee on UPC

INTRODUCTION

The purpose of this document is to provide people in the grocery industry with background information that they can use in responding to criticisms/questions about the UPC/automated checkstand system. The concentration is especially on those subjects which have been regularly raised by consumer groups. We attempt to explain the Public Policy Subcommittee's position on each issues, to forewarn you about the problems encountered in interactions with consumer groups, and to suggest strategies for dealing with the problems that you actually confront. There are six main sections:

1. Price marking
2. Costs of the system
3. Distribution of benefits
4. Effect on small retailers/manufacturers
5. Security of credit information
6. Consumer representation.

In addition, we have included in the appendix a statement by Jim Turner, a consumer advocate who is a member of the Public Policy Subcommittee. It was felt that it would be useful for him to record his views on UPC directly.

As additional questions arise, people in the industry should feel free to contact the following resources for further information

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Washington, D.C. 20006

National Association of Food Chains (202-331-7822)
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Washington, D.C. 20006

PRICE MARKING

Consumer groups have objected vigorously to the idea that food retailers may not continue to price mark individual items under the UPC system, relying instead on shelf rail marking and itemized receipts to convey price information. Consumerists believe that item marking is necessary to maintain overall price consciousness and that without item marking, consumers will not have the information they need to audit the system's accuracy. Additionally, consumerists argue that the absence of item marking will prove inconvenient for shoppers.

On the basis of these objections, the consumerists have urged legislators at various governmental levels to pass laws making item pricing mandatory. They argue that even if stores are forced to price mark, they will still obtain large savings from the UPC system. Specifically, they use the Ad Hoc Committee's own analysis which estimates that approximately 20 to 25 percent of the savings are tied to the removal of item marking. In effect, the consumerists say that "75 percent is good enough - leave the prices on."

The thrust of the Ad Hoc Committee's response on this issue is that no final decisions on item pricing have been made and that they must ultimately be made by the individual retailer; that the industry is now in a testing mode attempting to determine the effectiveness of alternative methods of delivering price information; and that legislation requiring a specific method of price communication is both premature and potentially harmful. This position is set forward in a policy statement issued by the Ad Hoc Committee which is reprinted on the following pages in its entirety.

POLICY STATEMENT ON ITEM PRICING

The Grocery Industry Ad Hoc Committee on Universal Product Coding has taken a position regarding the separate price marking of individual grocery products in stores utilizing automated checkstands. The Committee assumes that such stores are providing prominent individual item price information on shelf rails. Also it is assumed that each system provides the customer with a sales receipt itemizing in detail each product purchased and its price.

Given these assumptions, the Committee's position is as follows:

1. The question of whether to eliminate or continue the practice of marking a retail price on each individual grocery product is up to each retailer. Neither the Ad Hoc Committee nor the Universal Product Code Council (UPCC) has sufficient evidence in hand at this time to advise retailers as to what position they should take on this issue.

2. When making a decision on item pricing, the individual retailer will obviously be attempting to balance the potential cost reduction promised by the elimination of duplicate marking (shelf plus package) against the degree of price information which he feels his customers will need and want. Specifically, he will be evaluating the following kinds of costs and values:

    a. Item price marking is estimated to cost approximately $1 per thousand items marked and item repricing approximately $3 per thousand items marked. Thus, current item pricing and repricing practices add between $250 million and $300 million annually to food distribution costs. On an individual store basis, this works out to about $8,000 per year in a $60,000 per week supermarket (at 1973 wage rates). The total so-called "hard" net benefits of an automated checkstand installation in such a store has been estimated at approximately $35,000 annually. Duplicate item marking would, therefore, reduce this to about $27,000 annually.

b. Consumers clearly need to have complete and accurate item price information easily available to them. Furthermore, consumer confidence in the accuracy of automated checkstand systems is fundamental to their acceptance, and, by extension, to the realization of their potential benefits. In this regard, it is not the system's actual accuracy which counts (those who have thoroughly studied it have no question about its technical accuracy) but its perceived accuracy. Consequently, if item price marking is eliminated, an adequate alternative source of price information must be provided and a program of education on the inherent accuracy of the system should be offered.

c. Automated checkstand systems announced provide a customer receipt tape which completely itemizes the transaction (i.e., it prints each item's name and price - such as "Ivory Soap $0.27" - and notes its taxable or nontaxable status). The price (and in most cases the item description) is also displayed to the customer at the checkstand as the item is scanned. Neither of these item price information features is possible with conventional checkstands.

d. We have identified three principal objections to the elimination of price marking on individual items. First, it could reduce the consumer's ability to compare the price mark on a newly purchased item with the price mark on an earlier purchased item in the home pantry. However, by retaining receipt tapes, it would be easy to track price changes on all items routinely purchased (whether they were in home inventories or not) or to compare prices from one store to those of another. Second, consumers might not be able readily to compare the price mark on an item in the cart with another item on the shelf (e.g., a can of carrots with a package of frozen carrots). Some retailers are offering grease pencils or other marking devices to shoppers to make such comparisons more convenient.

Third, because the consumer cannot be expected to remember each item's price shown on the shelf rail when the time comes to check out, he may be uneasy about the system's accuracy. Since the receipt tape provides an absolute record of what price was actually charged, deliberate cases of charging a higher than posted price should be extremely rare (and simple for enforcement agencies to catch). However, as noted earlier, it is the customer's perception of accuracy that is likely to influence her acceptance of the new systems.

After weighing these costs and values, the retailer may decide to maintain duplicate marking or eliminate it. If he chooses the latter course, he is surely going to be extremely sensitive to any indications of customer dissatisfaction, because he simply cannot afford to lose customers and sales volume. For example, the loss of less than 5 percent in sales per week in the $60,000 per week store mentioned above would offset the savings generated by eliminating duplicate marking. The ultimate decision on this issue will be in the hands of the customer, not the retailer.

3. While the Ad Hoc Committee takes no position at this time on individual item price marking, it strongly opposes legislation which would force the retailer to retain duplicate marking. Such legislation would not be in the public interest because:

   a. The need for duplicate marking has not been demonstrated by the tests undertaken on automated checkstands to date. More time is required before current tests can be evaluated in this regard.

   b. Only a few dozen installations of automated checkstands are planned during the next year. These installations will include stores where duplicate item marking is eliminated as well as stores in which it is retained. Thus, there will be adequate opportunity for legislative review and action, if required, on the basis of actual experience, long before any substantial portion of the public is affected by the new systems.

c. The technology of automated checkstands is still in an early stage where major developments can be expected to occur. For example, as recently as 18 months ago, the Ad Hoc Committee was assured that it would not be possible to economically print item descriptions on customer receipt tapes, a feature now found on almost all automated checkstands. Similar developments have occurred in other aspects of the system and are expected to continue to take place where experience shows that unmet needs exist, as long as an environment conducive to technological progress is maintained. Legislation at this time mandating the use of historical practices in connection with automated checkstands could stifle this sort of development and reduce the ultimate level of consumer benefits expected from these systems.

d. Legislatively mandating duplicate item marking would slow down the adoption of these systems by retailers. Therefore, the substantial benefits of productivity improvement, increased accuracy and improved customer service levels which the systems promise to give the shopping public would be delayed or eliminated. Furthermore, if duplicate marking is, in fact, not desired by customers, requiring it would add significantly and unnecessarily to the cost of grocery product distribution.

This policy statement can serve as a guide to all industry representatives who are interacting with consumer groups and the press. There are a few points, however, which require amplification and additions. First, consumerists have raised more specific objections to price removal than the three referred to in the policy statement (paragraph 2d). A complete list of their objections and the industry's response to them appear in Exhibit I.

A second point is that the alternatives of offering grease pencils to consumers so that they can mark the items themselves (also noted in paragraph 2d) has met considerable derision from consumerist leaders. They argue that this step has not been evaluated and that it reflects a "public be damned" attitude by retailers. At the same time, however, one testing store continues to use this method with good results.

A third point is that consumers have criticized the receipt tape (paragraph 2c) because it is not standardized. That is, they argue that each store's tape will have a different, and sometimes incomplete, e.g., no size, description of the product and that this variance will confuse consumers and reduce the value of this source of information. This problem, however, is being dealt with A standardized list of product descriptions is being created by SAMI, Inc., and should be available to retailers who wish to use it.

The argument that "75 percent of the potential savings are enough" is answered in paragraph 3d. Although the economic viability of the UPC system

does not depend on the removal of item pricing, the $8,000/store annual savings are extremely important. Without those savings, many stores will undoubtedly delay implementation, and some will not implement at all. Thus, the 25 percent should not be given up automatically.

Also, in regard to price removal, it should be noted that analysis by the Ad Hoc Committee shows that price marking in the smaller stores tends to cost proportionately more than it does in large stores. The following data are extracted from that analysis.

	Percent of Sales			
	$10K Per Week	$15K Per Week	$25 Per Week	$40K to $60K Per Week
Price mark	1.07%	1.00%	0.89%	0.48%
Reprice	0.06	0.06	0.09	0.19
	1.13%	1.06%	0.98%	0.67%

The thrust of these data is that legislation mandating duplicate price marking tends to penalize disproportionately the smaller retail outlet.

Finally, the Ad Hoc Committee has now taken an additional step in regard to price removal. The Committee is moving ahead on sponsorship of research by an independent researcher to determine if the objections to price removal are, in fact, valid. This work could begin in the next few months and would be under the auspices of the Ad Hoc Committee's Public Policy

Exhibit I

CONSUMERISTS' OBJECTIONS TO ITEM PRICE REMOVAL

AND INDUSTRY RESPONSE

Problem Area	Consumerists' Objections As a Result of Removing Item Pricing	Possible Industry Responses
I. Insufficient consumer protection		
A. Decreased price awareness	1. Consumers will do more unnecessary impulse buying	1. Impulse buying will not increase
	2. Price comparisons (in-store and between stores) will be more difficult, resulting in consumers who are less alert to price trends and price levels and, therefore, not aware of good buys	2. Consumers will adjust to reading shelf prices and will not become less conscious of trends and buys - in fact, they may gain by making increased use of unit pricing information on the shelf. Moreover, the register tape will be the best audit trail available and should create more "smart shoppers"
	3. Consumers will not be reminded of rising prices and will stop pressuring chains to hold the price line	3. The UPC system can help reduce the upward pressure on prices
	4. Repricing on the shelves will be easier for stores and less apparent to consumers, thus leading stores to do more repricing	4. Repricing is not a function of consumer awareness but of price increases from suppliers
B. Susceptibility to cheating by stores and inability to catch store mistakes	1. Consumers will be unable to catch small differences between shelf prices and prices at checkout, leading stores to: . Cheat . Charge different prices at different times . Frequently reprice without people realizing practice	1. Stores will not engage in such practices since all price changes are audited at headquarters - also, people are more likely to catch small differences than consumerists think
	2. Stores will get away with honest mistakes, while such mistakes are caught today	2. In terms of mistakes, the new system is clearly more accurate than the conventional system
	3. Price comparisons between food categories - e.g., fresh versus canned carrots - will be more difficult or impossible	3. Very few such comparisons done at this time - computations are too difficult for virtually all shoppers; if necessary, other methods - such as price lists - should be designed
II. Inconvenience to shoppers		
A. Inadequacy of shelf prices	1. Consumers will be forced to spend extra time retracing through the aisles to check shelf prices	1. Consumers will adjust to the new system
	2. Consumers will spend extra time figuring out which products go with which shelf prices	2. As use of shelf prices increases, people will be more considerate in placing items in right places and stores will monitor shelves more frequently
B. Forced change in shopping patterns	1. People who bring fixed amount of money to store will have a problem because they will not be able to look in their cart to see how close they are coming to the amount, and thus will have more product returns at the counter	1. People will add as they go along
	2. Housewives will not be able to know how much money to give a youngster to buy something	2. The housewife can consult her register tape which has exact figures

Subcommittee, chaired by Robert B. Wegman. In planning the research itself, the Subcommittee has consulted with consumerist leaders and received their input on the key issues that need to be resolved. This research could help place the arguments about price removal on a firmer, more factual level. For if it is determined through this kind of controlled test that consumers need/want to have each grocery item separately price marked - even though cost reductions are possible if price marking were eliminated - individual retailers will be so informed by the Committee.

COSTS OF THE SYSTEM

One of the most highly-charged of the issues surrounding UPC is the question of who pays for the system. Consumer groups as well as legislators have expressed concern that the costs of the UPC system (which they quote at from $1 billion to $5 billion dollars) will be passed on to consumers in higher food prices, and that in this sense, the system contributes to inflation.

The position of the Ad Hoc Committee has always been that the UPC system is expected to produce a net savings. By net savings, we mean that after all costs of the system have been taken into account (including equipment, depreciation and cost of capital employed) and matched against all savings, the savings exceed the costs. Therefore, no costs remain to be passed on to consumers. In fact, just the opposite case exists: savings remained to be passed on. (For discussion of distribution of savings, see next section.)

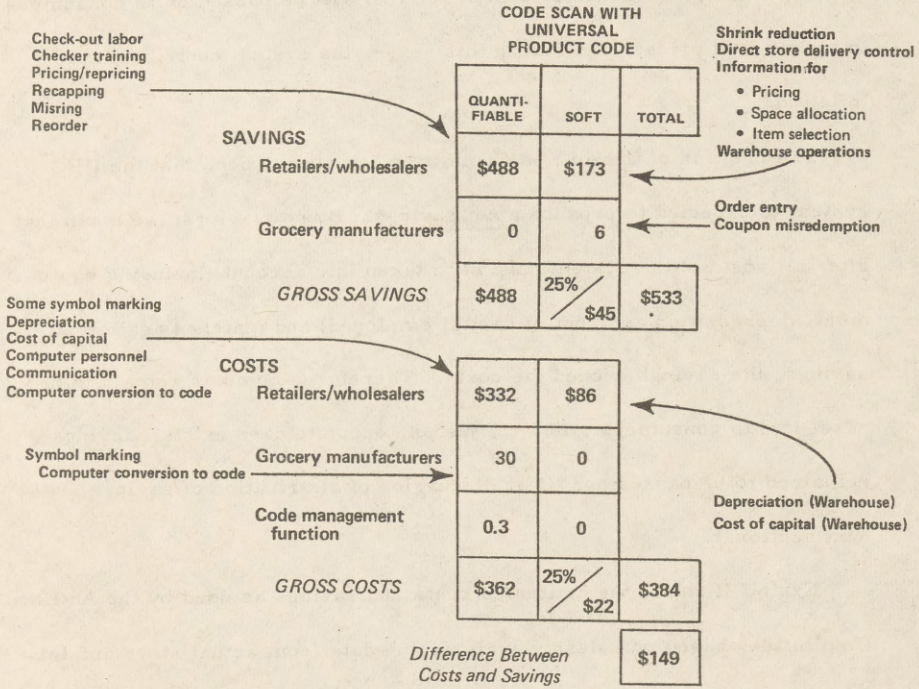
Exhibit II shows the estimated costs and savings as used by the Ad Hoc Committee, based on industry analysis and data from actual store and laboratory tests. The savings of the program are listed on top, and the costs are on the bottom. Both the costs and savings are divided into two categories: Quantifiable and Soft, based on their susceptibility to measurement and how directly they are linked to the achievement of operating savings. For example, improvements in checker productivity are considered to be

Exhibit II

INDUSTRY IMPACT OF A UNIVERSAL PRODUCT CODE

ESTIMATED COSTS AND BENEFITS*

(IN MILLIONS OF DOLLARS)



* As projected in 1971.

Assumptions

7,800 stores ($2 million annual sales each) participating.
75 percent item volume source symbol marked.
Retail wage rates $5.10/hour including fringes.

quantifiable savings while reductions in loss of perishables are considered to be a soft saving. In order to be conservative, the Committee discounted all "soft" figures by 75 percent. In projecting estimated costs and savings on an industry-wide basis, the Committee assumed that 7,800 of the nation's supermarkets, with $2 million dollars annual sales or greater, will install automated checkstands. (This assumption will probably not become fact until the late 1970s.) We also assumed that 75 percent of all grocery items in supermarkets carry the UPC symbol (an assumption that will become fact in late 1975).

As can be seen, total estimated savings amount to $533 million dollars annually and total estimated costs amount to $384 million dollars annually. The difference between the two is a net savings of $149 million dollars annually. Thus, as noted above, there are no unrecovered costs to be passed on to consumers.

Four additional points need to be made. First, if one looks only at the grocery manufacturers, it is clear that their costs exceed their benefits by $28.5 million dollars annually (i.e., cost = $30 million dollars, savings = $6 million dollars x 25% = $1.5 million dollars). Why then, did the manufacturers participate? They had several reasons. For one, they felt that if the UPC system reduced distribution costs, all parts of the industry would benefit. Second, some of them felt they would get direct benefits such as better market information, more effective use of store salesman, etc. Finally, they knew that the cost and savings calculations assumed that costs incurred by manufacturers in symbol marking would be passed through to retailers. The retailers receive sufficient benefits from the program to absorb those costs and still have the UPC system produce net savings. In other words, the analyses looked at the whole system and not at individual parts. Con-

sumer groups need to understand this fact.

A second point is in reference to the developmental costs of UPC. Consumerist leaders have complained that these costs, including the background work on the code and symbol, have already been passed on to consumers without any tangible benefits. Those costs are difficult to estimate, but we think they amount at this point to a maximum of $5 million. These are one-time costs. Moreover, they are a small fraction of one year's savings. Thus, their importance ought to be kept in perspective.

The third point deals with the claim of some consumerists that the program could cost $5 billion dollars to implement. If 7,800 stores install automated checkstands (as we assume) at a cost of approximately $100,000 per store, the total installation costs will be approximately $780 million dollars. (Recall that the amortization of these and other fixed costs are exceeded by the savings.) Thus, in no way will the total costs of the program approach $5 billion dollars. That figure would only apply if every supermarket in the country installed the system - an event that no one expects.

Finally, a number of consumerists have asked skeptically how retailers in the grocery industry (who complain of low profit margins) can afford to sink money into such expensive systems. The answer, again, is that these systems will save the stores money and pay back the original investments. In this regard, note that the costs of capital (i.e., the interest on the money needed to purchase the equipment) is included in the analysis as a cost.

16

DISTRIBUTION OF BENEFITS FROM THE SYSTEM

Consumer groups frequently ask what benefits consumers will actually derive from the UPC system. Specifically, they want to know if prices will be lowered, if checkout lines will actually be shorter, if produce will be fresher, etc. Some believe that retailers will take advantage of the faster checkout procedures by cutting down on the number of checkout lanes and decreasing, instead of increasing, customer service levels.

Exhibit III lists the major benefits that might accrue to consumers from the UPC/automated checkstand system. Clearly, the key potential benefits are lower prices and faster checkout - i.e., improved service levels. The Ad Hoc Committee's position on these points is that the introduction of automated checkstands is definitely expected to increase productivity at the checkstand and to lower retail operating costs. This result, in turn, will open a number of options for retailers in regard to how they distribute the benefits and position themselves to consumers. Some stores may attempt to lower food prices to attract customers, while others may channel the savings into more attractive layouts and better service. Other stores may do some of both. Finally, the stores also have the option of keeping the net savings for stockholders, financing expansion or retaining earnings.

Exhibit III

POTENTIAL CONSUMER BENEFITS FROM THE UPC SYSTEM

Benefits	Reasons
Lower prices	Increased productivity and reduced grocery distribution costs could lead to savings passed on to consumers
Faster checkout	With new automated system, the checker has both hands free and optimally can operate approximately 50 percent more efficiently
More accurate totaling of purchases	Computer is far more accurate than conventional cash register system
Detailed transaction tape	System provides customers with itemized record of their purchases, including detailed description of items and prices, taxable items, savings from coupons, subtotals, and use of food stamps
Fresher perishables, better selection of products and less out-of-stocks	System permits retailer to know quickly and accurately what items are popular with customers in a particular store (rather than having average data for several stores) and to order those items more quickly
More pleasant surroundings	Automated checkstands are quieter then conventional registers and are far more modern looking

In a free market economy, no one can dictate how benefits of the UPC system should be distributed. (To attempt to do so would raise serious questions under the antitrust laws.) However, here are some important points to consider in analyzing this question:

1. Grocery retailing in the United States is intensely competitive. The industry's gross margins are lower than in any country in the Western World, largely because past productivity improvements have been passed through to customers in lower prices. With this background, no store is likely to hold all its savings from automated checkstands for stockholders. Competing stores will distribute theirs and the store that held savings would eventually begin losing customers and be pressured to distribute those savings.
2. With wages, materials and most other costs at the retail level rising rapidly, productivity improvements made possible by automated checkstands can help retailers hold food prices down. Consumers need to understand, however, that pricing is a complex subject that is affected by many factors. Although the increased productivity in the distribution process - promised by UPC and automated checkstands - will reduce the upward pressure on prices, consumers may not necessarily see an actual decrease in

the price of any item on the shelf. The price of that item depends on many variables - such as supply of raw product and cost of labor and materials at the manufacturing level.

3. Store and laboratory tests of automated checkstands have clearly demonstrated that improved productivity can be achieved at the same time that customer service levels are improved and the number of checkstands reduced. The Committee's economic projections, in fact, assume no reduction of customer service levels to achieve productivity gain.

Finally, some of the benefits from the system, such as the more accurate checkout, detailed transaction tape (including price and item description) and more pleasant surroundings, are currently being offered in the testing installations. They are actual, not potential, benefits. Consumers should know, however, that the realization of fresher perishables and better selection will not occur for some time. These benefits depend on the stores utilizing the data produced by the system in their ordering and distribution. As long as only one or two stores per chain are in a testing mode, it is unlikely that management will be able to use the data in this manner.

EFFECTS ON SMALL MANUFACTURERS AND RETAILERS

In recent months, there have been statements by consumerists that the UPC program may have deleterious effects on smaller businesses in the grocery industry, at both the manufacturing and retailing levels. At the manufacturing level, it is feared that small organizations will be forced by retail chains to change the labels on their products to incorporate the UPC symbol, and that the costs of these changes may be unacceptably high. In turn, consumerists are concerned that such costs may drive small manufacturers out of business and further reduce competition in grocery manufacturing. Both are trends that could ultimately hurt consumers.

The Ad Hoc Committee spent considerable time and money to determine if the UPC program would have these kinds of effects. The Committee's position is that with few exceptions, the costs to small manufacturers are relatively insignificant. At current rates, it costs a small manufacturer $250 to join the UPC Council and receive a code number. The costs for a symbol film master, i.e., the transparency that represents the symbol, is approximately $25 from a number of sources. A separate film master is needed for each item, but most small manufacturers do not have particularly extensive product lines. Hence, they will probably not need many film masters.

The only other costs are for artwork and replating on a new label. These costs can be high. Therefore, when it announced its symbol decision in May 1973, the Ad Hoc Committee did not specify any deadline for conversion. Rather, it suggested that the conversion ought to be made within a 3-year period (by May 1976). Most companies normally change their labels anyway within a 3-year period. Even companies not on a 3-year cycle are under increasing pressure to change labels in order to incorporate the nutritional information demanded by consumer groups and legislators. The Committee felt that when the label change was made for these other reasons, the UPC symbol could be incorporated at little or no additional cost. Feedback to date supports this projection.

In addition, the Committee attempted to make certain that few, if any, companies would have to change their printing practices because the symbol is on the package. Many months of testing were involved, and analysis of several thousand labels, in choosing a symbol that could be printed within existing, realistic commercial standards. Again, indications are that there have been very few printing problems.

Finally, no manufacturer has been or will be forced to convert to UPC. The program remains a voluntary one. It is true that virtually all of the major supermarket chains are committed to the program, and some have

informed their suppliers of this commitment. Nevertheless, no supermarket organization is considering retaliatory action toward nonparticipants.

Some consumer groups have also claimed that the UPC/automated checkstand system will discriminate against small grocery retailers. They argue that the large chains will be the only ones capable of installing the system and, therefore, be the only ones able to reap the savings. In turn, the large chains, according to these consumerists, could use those savings to take market share away from the small chains and independent stores. Once they have increased their share, the large chains could increase their prices. Consumers, by this analysis, could become victims of automation, instead of benefiting from it.

In order to understand why many of these fears are unfounded, it is necessary to look at some of the economics of UPC. Analysis done on behalf of the Ad Hoc Committee does indicate that the economic attractiveness of the automated checkstand system with a fixed-slot scanner, i.e., scanner part of the checkstand, varies with the size of the store. Exhibit IV shows the estimated savings from stores of different size. Clearly, for stores with sales less than $25,000 per week, the annual net savings are relatively minor; such stores would probably not choose to install the full system.

These smaller stores, however, might well find it beneficial to utilize hand-held scanners which are considerably less expensive than the fixed-slot scanners. (The UPC symbol was designed to be read by such scanners since the people who chose the symbol were cognizant of the problems of small

Exhibit IV

BASE CASE – LESS THAN $40,000/WEEK STORES

ANNUAL NET SAVINGS COMPARISON FOR SMALLER STORES

	$10K STORE	$15K STORE	$25K STORE
GROSS SAVINGS			
FRONT END	$13,070	$17,500	$23,900
MISRING	780	1,170	1,950
PRICE MARK	5,580	7,800	11,670
REPRICE	350	475	1,200
ADM./INVENTORY			
BOOKKEEPING	1,710	2,850	4,560
INVENTORY	160	250	410
SUBTOTAL	**$21,650**	**$30,045**	**$43,690**
GROSS COSTS			
SYMBOL MARK	$ (2,800)	$ (4,250)	$ (7,050)
DEP./MAINT.	(15,800)	(15,800)	(15,800)
COST OF CAPITAL	(6,100)	(6,100)	(6,100)
SUBTOTAL	**$(24,700)**	**$(26,150)**	**$(28,950)**
NET SAVINGS	**$ (3,050)**	**$ 3,895**	**$ 14,740**

stores.) Even smaller stores can utilize UPC without scanners by using equipment that requires manual code input. This kind of equipment costs little more than conventional equipment. With the hand-held or manual input systems, smaller stores will get much better data capture than they have today. That is, their inventory control, reordering, and bookkeeping functions could be improved considerably.

It is true that while small stores may be able to realize significant productivity improvements from hand-held or manual input systems, those improvements will not be as great as with the full system. Most people in the industry, however, believe that small stores are not surviving today on the basis of better productivity in any event. Rather, it is the better service and convenience that entice customers to the small corner store. Thus, even if there are slight changes in the productivity balance among small, medium and large stores as a result of the automated checkstand system, those changes will be insignificant in terms of other more critical, competitive variables.

Another important aspect of the economics of the program involves its attractiveness to chains versus independent stores. There is nothing in the automated checkstand system today that would put a single unit store of a given size at a disadvantage to a chain operation's store of the same size. Originally, it was feared that the chains would have such an advantage because early systems plan to utilize a central computer to service stores on a network basis. From 1971 on, however, the cost of minicomputers has

dropped considerably. As a result, the equipment companies have talked exclusively about minicomputers in individual stores. Thus, the chain's advantage, in this regard, has disappeared.

In summary, the Ad Hoc Committee believes that neither the small retailer nor the small manufacturer is being or will be significantly hurt by the UPC program. In turn, we continue to believe that consumers will be helped - not hurt - by developments in this area.

SECURITY OF CREDIT INFORMATION

One of the ancillary services provided by some automated checkstands is an increase in speed of check cashing. Although this service is unrelated to the UPC code and symbol, some consumer groups have linked the two, and have suggested that the UPC system could lead to an invasion of privacy. This subject is a complicated one, but we will try to show briefly why the fears of consumerists are unfounded.

In the conventional supermarket, a person who wants to cash checks must give the store manager certain minimal credit information, such as the name of his/her bank. On the basis of this information, the manager decides whether or not to extend check-cashing privileges. If the manager agrees, the individual is usually issued a check-cashing card. Then, each time the person cashes a check, he/she goes to the front desk and shows th card. The manager in charge then looks at a list which usually shows if there have been any cases in which one of the person's checks previously cashed by the store has been returned for insufficient funds. In effect, the store keeps a "negative credit file" on each individual. If there is no entry in this negative file - that is, if there have been no problems with pr vious checks - the manager cashes the check or "okays" it to be cashed at

the register. Clearly, in addition to keeping a record of bad checks issued by the individual, the store could build a record of all checks cashed by that individual in the store if it wanted to make the effort. Finally, it could conceivably sell that record to outside sources.

The Committee believes that check cashing will probably work in a very similar manner for the next few years in stores with automated checkstand installations. There will be probably no additional requirements for credit information, and decisions will continue to be made in-store. The primary difference will be that the record of any problems with previous checks will reside in a computer file rather than in the manager's office. (In this regard, the credit information is probably safer in magnetic form within the computer than in the typical manual system where the information is available to anyone with access to the cards.) Thus, the customer will not have to wait for approval by the manager. Instead, the checker will be able to consult the list automatically when the customer presents an identification card and receive immediate authorization to cash the check. The same possibilities exist for building and selling records on the individual as exist in conventional systems.

At present, the main objection of consumerists is that a store with an automated checkstand system could keep a check-cashing record for an individual and match it against a record of the individual's purchases. (That purchase record could be developed now by using a duplicate tape or by copying each of the person's register tapes.) The consumerists feel that it is dangerous

to permit stores to keep (and potentially sell) this kind of personal consumption data, without the customer's knowledge.

We believe, however, that it is highly unlikely that any store will make the effort to collect these consumption data. First, copying the register tapes would involve a significant additional expense, both in collection and analysis. No retailer has expressed any interest in paying this expense. More importantly, however, such data would have little use from a marketing research point of view because the information they contained would be incomplete. People pay by check only part of the time; when they pay cash, these purchases would be missed by the system. Similarly, any purchases made in another store would not appear on the record. Thus, the fact that there would be no true record of food purchases, creates a situation in which the data would not be worth collecting. This point should be stressed to consumer groups.

Although the Ad Hoc Committee does not believe that automated checkstand systems present significant threats to the security of credit information today, it joins consumer groups in being concerned about future developments. Specifically, the Committee recognizes that with current technology, it is possible to connect the terminal that works with the automated checkstand to the computers of various banks. If this kind of tie-in is made, then other possibilities with check cashing are opened. For example, when a person, who has given consent, pays by check for groceries, the amount of the check

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could be automatically deducted from the person's checking account and deposited in the store's account, without the movement of any cash.

This process is part of what is called the Electronic Funds Transfer System (EFTS). EFTS has implications that reach far beyond the grocery industry. For that reason, a national commission on EFTS has been established to monitor developments. Nevertheless, the Ad Hoc Committee hopes to have input into the recommendations of that commission. In this regard, we plan to make certain that adequate safeguards are provided for our customers, in terms of convenience as well as confidentiality.

CONSUMER REPRESENTATION

Consumerist leaders complain that they have not had a role in making some of the important decisions about the UPC system which will ultimately affect them. As examples, they cite item pricing (or the lack of it), the nonstandardized register tape, and security of credit information. These specific issues are covered in other sections of this document. The larger issue of consumer representation will be covered here.

The Ad Hoc Committee's basic position is that the input of consumers has been (and is being) solicited and heard on all issues where their interests are truly at stake. Exhibit V shows the extent of industry-consumer-consumerist interaction over the past 4 years. Clearly, interaction was very limited during the early days of UPC planning. None of the technical decisions made at that time - namely, the code and the symbol decisions - could have benefited significantly from the presence of consumer representatives. Both of these decisions were highly technical in nature. Moreover, when there were potential consumer trade-offs, the choices were really predetermined by economics. For example, the Ad Hoc Committee recognized that it would have been valuable to include product dating information in the code; this possibility was considered but was quickly found to be economically infeasible. Similarly, they looked at the possibility of putting the price in the code. Unfortunately, since this step would have ruled out source symbol

1972	1973	1974	1975
. Head of leading consumer cooperative represented on Ad Hoc Committee	. Final production model of IBM automated system seen by consumerists and industry for first time at NAFC meeting	. Testing stores form panels with local consumer representatives to discuss problems and policies	. Consumer representative, James Turner, added to Ad Hoc Committee's Public Policy Subcommittee
. Research conducted on consumer reactions to the first actual test store - the Kroger test	. Visit arranged to IBM development location for consumer leaders	. Personal correspondence between consumerists and industry leaders	. Extensive research effort on UPC issues planned by industry with cooperation of consumer groups
	. Briefings to consumer groups on UPC	. Briefings to consumers continued	. Increased availability of information on UPC in national press for consumers
			. Expansion of local consumer panel concept
			. Briefings and discussions with local and national consumer groups

Exhibit 1

marking (retailers, not manufacturers, determine price in most cases) and since in-store symbol marking was not economical, this possibility was also given up. The point, here, is that consumers' interests were considered, even though they were not actually represented.

Once the system was ready for testing, the industry began actively consulting with consumers and consumerists through market research, briefings, and personal meetings. The Committee believes that each testing store has had extensive contacts with its customers through consumer panels which meet frequently. The members of these panels have helped each store formulate its operating policies. It is important to note that the major decisions which affect people, such as price removal and security of credit information, are ultimately made at the store level. None of these decisions can be dictated to individual retailers by an industry committee.

In February 1975, James Turner, a noted consumer advocate who has studied the UPC system, was invited to join the Ad Hoc Committee's Public Policy Subcommittee. (Mr. Turner's comments appear in the appendix of this document.) That Subcommittee has recently begun addressing key public information and public policy issues involved in the implementation of UPC and it was felt that, at this time, a consumerist should be actively involved.

Therefore, the stance you might take in regard to this issue is that the industry has tried to take appropriate account of the interests of consumers and has the record to prove it.

UNIVERSAL PRODUCT CODE ELECTRONIC-ASSISTED CHECKOUT

A Consumer's Point of View

by

James F. Turner*
Attorney at Law

(This statement by James Turner has been included in its entirety for your information.)

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* - James S. Turner, the author of the Chemical Feast: A Nader Report on the Food & Drug Administration and the Chairman of Consumer Action, Inc., is the consumer representative on the Public Policy Subcommittee of the Grocery Industries Ad Hoc Committee on UPC. He is advised and supported in this role by a committee made up of the presidents and/or executive directors of the Consumer Federation of America, the National Consumers League, and the National Consumers Congress. While the views expressed here are intended to be and are believed by Mr. Turner to be reflective of the views of the other consumer groups, they represent his views and only his views.

INTRODUCTION: The grocery industry plans to save large sums of money on the nation's food bill by instituting an industry-wide electronic checkout system in supermarkets. This system relies on the use of computers triggered by a new code label, consisting of vertical bars, which, when passed over an optical scanner (using a laser), can be read by a computer. The new labels have already begun to appear in supermarkets with bar codes estimated for 75 percent of the products in supermarkets by the end of 1975.

While the grocery industry has been delighted with the prospects for the system and has committed large amounts of money to its development, some consumer groups who have examined the system have been more skeptical. The concerns of the consumer critics fall into three categories:

1. Many grocery industry spokesmen claim that, for the system to be effective, prices must be removed from individual products and displayed only on the shelf adjacent to the product. Consumer critics argue that this deprives the individual consumers of essential price information, which is their right.

2. Grocery industry spokesmen have claimed that the intensely competitive nature of the grocery industry guarantees that any savings on food costs to the industry will be automatically passed along to the individual consumers. Consumer critics do not believe that the grocery industry is intensely competitive and that, therefore, any savings that might occur from the system will be primarily of advantage to the food sellers and only incidentally of value to individual consumers.

3. Consumer critics are skeptical about the way in which grocery industry spokesmen express the benefits, risks, and costs of the system to both themselves and individual consumers and want more routine dialogue about these problems. Consumer critics suspect that costs have been underestimated, benefits overestimated, and that technical risks to individual supermarkets and individual consumers (such as computer manipulation, use of check cashing records, reliability of equipment) have been inadequately evaluated.

I. Price Marking: Grocery industry spokesmen argue that some of the things that will result from removing the price mark from individual products and confining price information to shelf tags are essential to the proper working of the entire system. Consumer critics argue that this fact has not yet been demonstrated.

Industry spokesmen give the following figures to support their argument. The cost of price marking and remarking together cost the industry a total of $250 million to $300 million a year. This means that, together, price marking and remarking cost the $60,000-a-week supermarket $8,000 per year. It is this amount that industry spokesmen claim will be saved by allowing the removal of price markings from individual products. This amounts to approximately 2/10 of 1 percent of the total sales of the individual supermarket.

Industry spokesmen argue that this $8,000 is slightly more than 20 percent of the total savings that they expect to receive from the entire system. They argue that the total savings to a $60,000-a-week store will be $35,000 a year. Consumer critics challenge several parts of this argument.

First, they point out that many stores across the country have already agreed to stop the practice of repricing. Whatever advantage or disadvantage this policy poses to supermarkets and consumers, it appears to be inappropriate to attribute the savings gained from a policy of not repricing to the UPC system if stores are able to adopt such policies even without the installation of the system.

Currently, more than half of the $8,000 attributed annually to putting price marks on products goes to repricing those products. If it is possible for supermarkets to eliminate repricing without the use of the UPC system and inappropriate to attribute the savings from the elimination of the repricing to the UPC system, then the actual savings from removing prices from products that can be attributed to UPC is less than $4,000.

If this figure represents a fair assessment of the potential savings from removing prices from products, then the assumed savings predicted by the industry are severely reduced. At most, the total savings to the food industry is $150 million out of an annual gross sale of approximately $125 billion or approximately 1/10 of 1 percent of total sales at the most. This translates into an annual savings of $4,000 for a store which sells $3.12 million worth of food annually or it means a savings for the store of one penny for every $10 spent in the store. This amounts to approximately $50 a year savings for a family of four if every projection of the industry is accurate, if all the functions are weighted toward savings and turn out to be realized, and if every bit of projected savings is passed on to the consumer.

Consumer critics argue that, if a more realistic set of assumptions is adopted, even a relatively small savings to be gained from removing price marks is not all that likely. It is not likely because the cost of

maintaining shelf labels in a system which does not have prices on the product has been neither measured nor figured into the projected savings. For example, on January 29, 1975, the General Accounting Office (GAO) reported to Congress on the number of missing and/or damaged shelf labels supermarkets found in a survey conducted by it.

On the 100 individual stores surveyed by GAO, 10 to 20 percent of the products had missing labels. In addition, the GAO found that, in the same store, shelf labels were either unusable or only partially usable because of the shelf overhang, poor condition, label misplacement, distances between shelf and package information on between 7 and 30 percent of the products. This means that between 17 and 50 percent of the labels in the 100 stores surveyed may have been unusable by the customer. The GAO recommends that maintenance systems for self-labeling be instituted. The extent and control of such systems is absolutely essential if prices are to be removed from products. Therefore, it is inaccurate to project the cost savings of removing prices from individual products without also considering the cost increases which will result from new shelf-price maintenance systems.

Consumer critics also point out that the total projected savings for the UPC electronic checkout system is approximately nine times the $4,000 that might reasonably be applied to removing the price marks. Thus, they argue that, if there are to be real savings from the system, they come from other sources than removing price marks. In fact, they argue, taking industry figures for the total projected annual savings for a $60,000-a-week store, there is almost no real difference between savings projected with prices on versus prices off.

If prices are left on the product, the projected savings would be 0.99 percent of sales on such stores by industry projections. If prices were taken off, the projected savings would increase to 1.1 percent of total annual sales. This happens only if any additional costs of shelf-policing are ignored, and only if the most favorable assumptions are made about the likelihood that price removal will save money.

In response to consumer critics, industry spokesmen have made two arguments. One, they say let us try this system without pricing and see how it works. And, two, if price marks are required on the product, that will discourage, if not completely stop, implementation of the system. Stopping implementation, they argue, would raise the nation's food bill by the 1 percent which the entire system could probably save. It would also set back the possibility of new technologies that would further help the consumer.

Consumer critics answer these two arguments. First, they say that if stores go into the system without pricing, they believe that it will be impossible to ever get prices returned to the products. Second, they argue that it is perfectly possible to test the cost of an adequate shelf-tag maintenance system and the other costs and savings of a "prices off" system while running a store with prices on. Only when a more accurate accounting of costs and benefits is made should any store remove the prices of any products. And, even then, they should do so only when (if at all) it is of clear benefit to consumers.

Industry spokesmen answer this argument saying that the competitive nature of the industry will force prices on products if that is in the consumers' interest. Consumer critics doubt this. When industry argues that they will be likely to give up the substantial projected savings from UPC (80 percent by industry figures) that can be achieved even if prices are required on the products, the doubt becomes unbridled skepticism. If the industry is highly competitive and a substantial savings can be made from a computer-assisted checkout even with prices on the product, consumers assume that the industry will go into the system.

Finally, a new argument has emerged from industry spokesmen. They say that so many errors are now made by checkout people that, even if it costs money to put the computer-assisted checkout system in, it will save money in the long run. They argue that the price rung up by the computer is different from the price on the products so often that the credibility of the system is likely to be undermined. Consumer critics say that it is exactly why they are skeptical of this system, and not until the prices on the shelf can be made to match the prices on the products and those in the computer should any store remove prices. Consumer critics doubt that this can ever be done.

Consumer critics also argue that there are intrinsic values to price marking on the product which have not been considered by those projecting the savings removing prices will bring. They argue that, in addition to the difficulties of knowing the price at the point of purchase, there are at least four other times when price on the product is useful, which should be considered in any equation matching cost to benefits.

First, they argue that, in traveling through a store, they lose the opportunity to compare prices of one product (canned peas at one end of the counter) to another product (frozen peas at the other end of the counter). The grocery industry offers to provide grease pencils for customers of such inclination. Such an offer disturbs consumer critics. For example, who is to verify the

price that one customer puts on a product which is then returned to the shelf when another customer tries to buy it? What will happen to such pricing policies when, on successive days, successive customers mark a product with their grease pencil and then return it to the shelf because a better buy has been noticed?

Second, customers often like to compare the price rung up on the cash register to the price they thought they were going to pay. Third, consumers often like to go over their checkout tape and compare the prices they were charged to the prices they thought, from the prices marked on the item to the cost of the item. Fourth, consumers often like to compare the price on one product they have put on the shelf in their home to the price of the same product they have just bought. They do this by looking at the price on the box or can they just bought on their last trip to the market and comparing it to this trip's price. This knowledge of price differential might cause an alteration in buying patterns. All these opportunities for price comparison are lost if prices come off the products.

Consumer critics believe that they lose so many opportunities to compare prices. They fear this will eventually lead to a diminishing of price-consciousness. This, in turn, will lead to an upward slide of food prices, which will be difficult for the average consumer, deprived of price information tools, to detect. Price information will be hard to detect. Consumer critics argue that this potential cost of the price removal system, which will eliminate individual product price markings (erroneously called duplicate pricing by some industry spokesmen) should be clearly measured and considered before any store takes prices off the products. Since it has not yet been considered, consumer critics argue that no store should remove prices.

II. Sharing the Benefits (If There Are Any): Grocery industry spokesmen argue that there are two benefits of the UPC computer-assisted checkout system. These are lower prices and faster checkout. Consumer critics do not believe this.

Lower prices will only happen if supermarkets find that lower prices are in their economic interest. That is the meaning of the argument that competitive forces will bring prices to the lowest possible level. Consumer critics believe that the workings of the marketplace are such that it is unlikely that much, if any, of the projected savings which do occur will be passed along to the consumer.

Concerning checkout lines, the consumer critics have almost the same fears. If the new system improves efficiency by 30 percent, as some industry spokesmen suggest, it is not necessarily true that the consumer will get the benefits of the 30 percent at the checkout line. The percentage of savings in time in line that the consumers do get will be reduced in direct proportion to the reduction in the number of computer lines the store has in operation compared to the number of manual lines it replaces.

Only if every cash register is replaced by a computer will the total savings of time in line be passed on to consumers. If the total number of lines is reduced, consumers might stand in the line just as long, while the store makes money by having fewer employees at the checkout counters. Consumer critics believe that the number of lines is likely to be reduced.

III. Consumer Dialogue About Risks, Benefits, and Cost of the System: Apart from the above two items, consumer critics of the UPC electronic checkout system have an agenda of items which concern them. They argue they have not received enough attention from the developers of the system. They urge and argue that consumer representatives need to be included in the future development of the UPC system at every level, considering the system, to have the proper resolution of these problems.

For these reasons, consumer critics have asked for representatives on national, regional, and chain-wide committees considering the ways of implementing the UPC plan. In many areas of the country, they have been favorably received, and constructive dialogues have been started. Some of the issues that developed in these dialogues are as follows. Consumer critics argue that:

1. Any check-cashing histories compiled on supermarket customers should not be sold to credit companies; should be subjected to the same regulations as records held by credit bureaus; should be open for scrutiny and correction by customers; and should not be sold or given to food manufacturers.

2. The potential for fraud from the system both against consumers and grocery industry members must be carefully planned for and guarded against. Specifically, the ability to tamper, by computer, with food prices (injuring the consumer) or food inventories (injuring the food company) must be recognized and eliminated.

3. All the alleged benefits to the consumer, such as English-language checkout tape allowing clear identification of the product with price, must be standardized throughout the industry. Enough time has been spent standardizing the part of the system beneficial to the food industry. Not enough time has been spent standardizing the potential benefits to consumers.

4. Small businessmen must be assured that they will not be deluged, harassed, or bludgeoned into participation in the system since their continued existence is essential to the competitive systems which the supermarket industry is relying on to bring the benefits of the UPC to consumers.

5. A method must be developed, through Weights and Measures offices or some similar agency, to ensure that the scales, computers, lasers, and other related equipment are safe, effective, accurate, and in proper working order on a regular basis.

6. If the system is to become a part of the emerging electronic transfer system being advocated by some banking interests, a consumer advisory committee should be involved in that effort to ensure that issues of interest to the consumer are brought to the attention of the decision makers and those who are working on the implementation of such a system.

7. It is essential that the minority groups in the society - elderly, young, foreign-language speakers, and others - be considered in the development of every aspect of the system. For example, an English-language checkout tape is of limited value to a Spanish-speaking consumer. To some minority groups, price on product information is the most essential piece of information a consumer gets in the supermarket.

8. The cost of the system must be carefully evaluated in sessions between consumer spokesmen and industry spokesmen, each of whom has access to experts in relevant fields, to develop policy about the fact that: (a) at least one company argues that the price of labels will increase from 1 to 4 percent if the UPC symbol is used (this cost is more than the cost of any other labeling change); (b) the system, by industry estimates, will cost anywhere from $1 billion to $6 billion to install; and (c) other industries, such as the Wall Street stock selling, have gone to computers only to find that they hurt rather than helped the industry.

9. Many other issues will develop that require the considered attention of all parties - sellers, buyers, laborers, and others - before the system can be installed carefully enough and effectively enough to ensure that its costs are reduced to the minimum and its benefits to the economy are at its maximum.

10. Consumers must have an active role in giving to the development of an installation of this system the kind of considered attention that it demands. Therefore, every store, chain, trade association, or industry-wide group that considers the UPC also considers an organized consumer voice as part of its deliberations.

CONCLUSION: Consumer critics of the UPC system have great doubts about the advisability of rushing into the use of the UPC system. They also have great suspicion about the food industry itself. Because of this suspicion, all the assurances of the industry that the UPC is being considered only largely or in some part because of the benefits it brings to consumers are treated with great skepticism by consumer critics. For these reasons, it is essential that, if there are benefits to be had from the UPC, a system be developed for addressing the skepticism of consumer critics as well as the merits of the system itself.



A New
Supermarket
Ripoff:

**PACKAGES
WITHOUT
PRICES**

CFA consumer federation of america
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The supermarket industry takes the attitude that if the consumers want prices on merchandise it will give them grease pencils so they can mark the prices for their own information. This is typical of the "public-be-damned" attitude the industry takes. It equates on the PR equivalency scale with "let 'em eat cake."

—Carol Tucker Foreman, Executive Director
Consumer Federation of America

American supermarkets are trying to sell consumers something new: Packages without prices.

There is a major change taking place in food retailing. Grocery stores are beginning to use a computerized checkout system. This system makes it unnecessary for the supermarket to put prices on the items they sell, and if present plans are carried out, prices will no longer appear on items in your supermarket. They will only be on the shelves.

The supermarket industry plans to take prices off merchandise despite the fact that there is great consumer opposition to such action. For example, in a study last year of the 37 most important characteristics of a store, shoppers ranked "all prices clearly labeled" second only to "cleanliness."

Two developments in the industry have made dramatic change possible:

ONE: Industry-wide adoption of the Universal Product Code (UPC).

TWO: Installation of the computerized checkout system in the stores.

What follows is a technical and economic discussion of the change and an outline of an action program to meet the challenge.

By Consumer Federation of America

65-740 O - 76 - 16

Question **What is the Universal Product Code (UPC)?**

Answer Enlarged, the symbol looks like this:



The symbol can be smaller than 1.5 square inches. In this tiny space, the lines on the symbol will be able to generate one TRILLION individual, distinct, machine-readable numbers.

The UPC can be affixed to almost any kind of merchandise and still be completely readable, whether the item comes in a bag, bottle, box, can, jar, sack, tube, cellophane/pliofilm wrapper or aluminum dish.

Question **What happens at the computerized checkout stand?**

Answer Each checkout stand will be equipped with an electronic scanner. The checker will simply pull a UPC-marked product across the scanner. In a milli-second, the scanner will translate the UPC bar symbol to the UPC code number, transmit that information to the store's mini-computer file and the product price will then be "looked up" and flashed back to the register. The price will then be visually displayed to both the consumer and the checker. At the very same time, a description of the product and its price will be printed on the customer's cash register tape, and that information is also stored for computing the total bill.

Question **What about "two-fors" and "three-fors?" Will merchandise still have to be separated into groups, according to the number purchased at a given price?**

Answer "Two-fors" and "three-fors" will not have to be grouped together. The computer will do this electronically and automatically.

Take a "three-for" as an example. Say you buy candy bars priced at three for 29 cents. You do not have to group them together on the conveyor.

- When the first candy bar shows up and the laser beam informs the computer of the number, the computer will charge 10 cents for the bar. When the second shows up, the price will still be 10 cents. But when the third shows up, the computer will have stored in its memory the fact that two bars have already been charged within that particular order and it will flash "9¢" on the electronic sign above the checkout counter. Let's say you had nine different combinations of items within your order. There would be no necessity to group any of them. The sorting and correct pricing would all be done by the computer.

Question

Have consumer groups or labor unions been periodically consulted about the revolutionary UPC and the automated checkout stand?

Answer

Not at all. Although research and development on this project has been going on for more than ten years, CFA doesn't know of any consumer group that has been asked for its advice at any time, anywhere in the entire nation.

Now, research and development of the computerized checkout stand is an accomplished fact, so chains which plan to install them are busily setting up "consumer committees" and "consumer advisor groups." But there is no instance in the country where management has agreed to take consumer advice to keep prices on the merchandise.

In addition, with thousands of jobs at stake, management has carefully avoided consulting with the affected trade unions, the Retail Clerks, Meat Cutters and Teamsters.

Question

What is the attitude of the grocery industry toward consumers?

Answer

Patronizing, condescending. But let their words speak for them:

A prominent Chicago retail food executive: "Generally, people do not know what they want . . . We must be ahead of our customers, be anticipating and doing the things we know they need, even though they themselves do not know what they want."

Edgar B. Walzer, editor-in-chief, Progressive Grocer: "Consumer protectionists have become aware of the Automated Front End and—as if by reflex—have started reaching for the monkey wrench. Specifically, they oppose the removal of prices from individual packages because shoppers would thereby be deprived of necessary information . . . It's not enough to say—again—that the protectionists don't know what they're doing . . . When it comes to retail food prices, it might be said that consumers are discussing them more and comprehending them less."

Alan Haberman, president of First National Stores, suggested that if consumers were really interested in having prices on merchandise, the supermarkets would be glad to supply grease pencils so the consumers could do the marking themselves.

Question

What are the advantages and disadvantages of the computerized checkout stand as far as the consumer is concerned?

Answer

An excellent summary appeared recently in **Media& Consumer**. Because it is so comprehensive, you will find a complete reprint on the last two pages.

CFA would like to make one minor addition to the M&C compilation: Recently, supermarkets have been pledging they will stop their policy of raising the price of merchandise already on the shelves. There has been a very loud public clamor by some supermarkets on this score, and they have spent a lot of money advertising this new policy. Yet, when the computer checkout stand goes into effect, re-pricing will be accomplished by a simple change at the computer, and the price of the item will be changed wherever it is located: On the shelf, in the storeroom or in the warehouse—until the next change. Presumably, the price indicated on the shelf will always be the same as that in the computer.

Question

Is it profitable for a supermarket to install automated checkout stands?

Answer

Probably.

The Distribution Number Bank, Inc., which is a creature of the grocery industry, has made an analysis of the profit picture. It breaks profits into two segments: Hard and soft savings. Here is a direct quote from DNB:

"HARD SAVINGS: Studies done for the Ad Hoc Grocery Committee by McKinsey and Co. (management consultants) with the help of many leading chains and equipment companies indicate that such automation should lead to net savings before tax for retailers equal to 1.0 to 1.5 percent of sales essentially due to quantifiable productivity savings.

"For example, a $40,000 per week retail store should expect to save $27,000 before tax by 1975, after subtracting depreciation, cost of capital (on a $120,000 investment), and other costs. *Average return after tax on average investment over 10 years appears to be over 30 percent."* (Italics ours.)

"SOFT SAVINGS: . . . accurate information on what was sold will be available since every item is uniquely coded and is identified in the automated checkout process. Savings from use of those data have been classified as "soft" due to the difficulty of predicting them. Some obvious savings in this category are shrink identification by item (and presumably reduction), direct store inventory control, and a vast range of changes such as shelf allocation, instant price changes, and other merchandising changes. *Some people, including the McKinsey team, believe those soft savings may eventually be more significant than the hard or productivity savings identified to date."* (Italics ours.)

In other words, the industry is saying that when it moves ahead with installation of the automated checkout, it figures to make a return of 60 percent or more on its investment.

Isn't this machinery expensive to install?

Question

You bet it is.

Estimates of the cost of installation run about $100,000 per store.

Answer

Who is going to pay for the installation?

Question

We suspect the initial cost is likely to be passed on to you, the shopper, in the form of higher prices. Supermarkets tell us they don't make much of a profit now so it can be assumed that we will have to help them pay for their equipment by paying higher prices.

Answer

In view of the savings possible, has the industry ever talked about reducing prices?

Question

Not that you could notice.

In fact, in all of the vast amount of literature on the subject, there is never any mention by any industry figure of a possible reduction in prices.

Answer

Can't prices be left on the merchandise?

Question

They could be and some supermarket people think they should be.

Larry Russell, a management consultant to the food industry: ". . . consumers want prices on the packages. And if they want that, they will get it, but the cost advantage to the consumer will be reduced."

Paul Korody, consumer affairs director of the National Association of Food Chains: "It's a non-issue. The removal of prices from goods is not necessary to install the system . . . by insisting that the prices remain on the can, you just lose the benefits. The price will be useful to the consumer only and has no bearing on how the system runs."

What is the dollars and cents cost of keeping the price on? The industry says that a store with $3 million annual sales and with no prices on the packages would show a net savings from an automated checkstand of $34,700 a year.

If the store left the prices on the can, the savings would be $23,000 per year. For about $225 per week, the store could satisfy its consumers' demand for price marking.

Answer

If the cost of price marking is so minor, then why is the industry taking away something the consumer wants?

Question

Probably because it figures it can get away with it.

We think they should be stopped.

The Consumer Federation of America has a program, and here it is:

Answer

Programs To Maintain Price Marking On Consumer Products

We propose both legislative and action programs:

LEGISLATIVE PROGRAM: Draft and present to Federal, state, county and municipal governments legislation to require that every consumer product have the price plainly marked on it.

ACTION PROGRAM: Whenever and wherever a store opens with computerized checkout stands, let store management and the general public know that consumers object to the elimination of price marking.

Following are some of the things that should be included in your program:

LEGISLATIVE

ACTION



1. Propose and support legislation to require that any packaged item sold at retail have a price marked clearly on it.

2. Press for immediate action at all governmental levels: Federal, state, county and municipal.

3. CFA proposes this language: "The package of every consumer commodity offered for retail sale shall bear the price of such commodity in arabic numbers. The price shall be large enough to be readable and shall not be in code." An appropriate penalty should be included.

---

1. At every location where computerized checkstands are introduced, leaflet the general public so they will be aware of the consequences.

2. Use the media to spread the message:
   a. Radio and television talk shows.
   b. Newspaper, radio and television news departments.
   c. Letters to the editor.
   d. Every other available resource, including purchase of time or space if that is deemed necessary.

3. Let legislators know how we feel, and when a crucial vote is at hand, mobilize the consumer movement and all our friends—especially the labor unions which have a particular concern—to let representatives know how deeply we feel on this subject.

4. CFA will provide camera-ready copy that will lend itself for easy adaptation to local leaflets and signs.

The Pros and Cons of the Automated Checkout

Proclaimed benefits to the consumer	M&C Comment
1. Less waiting time. Because of the speed of the automated checkout's scanner and computer, consumers will virtually streak through the checkout lanes.	Less time at the checkout counter is indeed possible, and is one of the prime advantages to consumers.
2. Fewer errors in price ring-ups. Because the price codes on most products will be optically scanned and recorded, there's less room for error on the part of the clerk.	The system will produce fewer errors, unless the wrong information is fed to the computer or the computer goes haywire. Then, watch out!
3. Detailed sales receipt. A few of the systems offer a sales receipt that includes both the price and name of each item you bought.	Where available, and it won't be available with all the systems, this may help the consumer in his or her budgeting.
4. Elimination of item-pricing. Since there'll now be on each item a price code that can be read by the optical scanner, there's no need to go through the process of stamping a price on each item. By just putting one price on prominent display near the item, there will supposedly be significant labor savings that can be passed along to the consumer.	While it's true some labor savings *could* be passed on by the elimination of price-marking on each item, consumerists are almost universally opposed to such a move. The supermarket industry's own tests generally show a distinct coolness on the part of consumers to removing prices from items.
5. Ease in check cashing. The computer can store the records of more than 20,000 customers and okay in a flash the shopper's check.	Certainly an advantage and one that will save considerable time.

Reprinted From **Media&Consumer**

Consumer Beware

There's no guarantee that some supermarkets won't substantially reduce the number of checkout lanes when switching to the new system, thus forcing the food shopper to wait just as long as before.

Since the computerized system delivers the capability for instantaneous price changes, you may wind up paying 51 cents for that can of beans whose price was shelf-listed at 43 cents. Why? Because someone at chain headquarters or in the store raised the price between the time you took the item from the shelf and got to the checkout counter. There's no guarantee this won't happen.

If the brand name and the size or quantity of the product are not included, the receipt offers scant information that will be useful in budgeting or comparison shopping.

This is potentially the most harmful element of the new checkout system, for a number of reasons:

☐ The supermarkets are offering no guarantee that they'll share this savings with the consumer. In fact, supermarkets might merely gobble it up for themselves for increased profits.

☐ There's also no guarantee that the supermarkets can faithfully see to it that the price tag is accurate. In fact, the industry as a whole has a notoriously bad reputation for its ability to maintain shelf prices properly.

☐ If the prices do not appear on the items, the consumer has little defense—unless he or she is endowed with a superb memory—against the instantaneous price changes mentioned earlier.

☐ Having the price on the item at the time it's used (in the kitchen) can reinforce the consciousness of price at the time foods are prepared.

☐ Comparison shopping will become quite complicated. Checking the price of corn—fresh, frozen or canned—will require either a superb memory or trips from aisle to aisle to compare prices, since none will be on items in the cart.

☐ A visual terminal that will flash the price and product name as the UPC is scanned is cited as another assurance to the consumer that the correct price is being charged. Yet the increased speed of the system is based on a checker using a rapid two-handed motion to slide the groceries across the scanner and bag them almost simultaneously. That hardly allows the shopper enough time to match the product with the price flashed on the visual terminal.

The question is how this information will be used. While the stores probably won't have much more information on a customer's employment and financial situation than they do now, the information will be readily available. Perhaps even for sale to credit bureaus or direct mail houses.

NRMA VOLUNTARY RETAIL IDENTIFICATION STANDARD

When scanning of merchandise is discussed, reference is almost always made directly to the food industry. Yet, the implications of the computer-scanner are also very great for the entire retail industry, not just food alone.

For the record, we would like to submit a document titled "National Retail Merchants Association Voluntary Retail Identification System." It discusses a new technology which will be used for merchandise identification on tickets, tags and labels. Future application would include customer credit cards and employee identification. The encoding may be read by wands which equipment manufacturers are making to interface with present electronic point-of-sale terminals and with new systems.

There is a clear distinction between the Universal Product Code and the technology developed by the National Retail Merchants Association: UPC is machine-readable only; the NRMA system is both human-readable and machine-readable.

We also include two clippings from the trade press on the same subject.

AND UPC HAS HIT BUMPY WEATHER—UVM SCAN CODE FULL OF PROMISE—BUT LITTLE PROGRESS

(By Toni Wiseman)

Scanning has been a major buzz word in all point-of-sale promotion, but what is the present status of the technique?

Nine months have passed since the National Retail Merchants' Association (NRMA) adopted its voluntary Universal Vendor Marking (UVM) code. To date, however, little progress seems to have been made in instituting widespread use of UVM.

OCR–A was chosen as the standard UVM technology because the group felt it represents "the most desirable technology at this time for use by the general retail industry."

"Its characteristics as a printed, human-readable medium give it broad opportunity for use with existing price ticket printers, computer printers and other printing devices," the NRMA said.

The supermarket industry, on the other hand, has already implemented its chosen scanner technology, the bar-coded Universal Product Code (UPC). Industry figures estimate 65% of all goods sold in supermarkets will be marked with the UPC for scanning by the end of 1975, even though few chains have progressed to widespread use of scanning devices.

The implementation of UPC has hit some bumpy weather, however. The supermarket industry's proposal to remove conventional price markings from packages has generated widespread reaction from consumer groups and legislators alike.

A Maryland bill requiring price marking, for example, died in a state Senate committee; a similar measure passed the Illinois House and a Senate committee, only to be killed on the Senate floor for a lack of seven votes.

In Chicago itself, however, a strong city ordinance requiring price marking on all products passed by a 45-to-1 vote.

Virginia legislators killed a price-marking bill because they did not feel automated checkout systems have been given a fair chance yet; in New York state Sen. John J. Santucci's (D-Queens) bill is in limbo until the Legislature reconvenes in January, 1976.

In addition, Sen. Frank Moss (D-Utah) and Harold Ford (D-Tenn.) will be presenting bills to Congress early this fall.

ESCAPE FROM CENSURE

Retailers will at least escape the censure of consumer advocate groups when it comes to the question of price marking. The OCR–A font is human-readable and NRMA specifications call for all pricing information to remain on merchandise tags.

While other problems still face the proponents of UVM, progress is all but stagnant. At best, national department stores and major manufacturers are testing the feasibility of OCR–A scanning.

At the moment, however, no brand-line merchandise vendors are shipping merchandise with tickets or labels adhering to the UVM standards to conventional department stores.

One deterrent to the widespread use of UVM, in the view of many manufacturers, is the lack of a commercially available batch reading device for OCR tickets. This means stores must use expensive wand equipment which smaller volume stores cannot afford.

Hopefully, as more stores get into scanning, the prices on equipment following the traditional volume/cost curve that has been applicable in the electronics industry, will start coming down.

CONFRONTING THE PROBLEM

Still, major manufacturers are confronting the problems, if somewhat slowly.

The L'eggs division of Hanes Hosiery will begin marking packages with the UPC this fall because "all our major customers the going to UPC systems now or in the near future, so we're being forced into it," according to a L'eggs spokesman.

L'eggs are sold in supermarkets; other brands of Hanes hosiery are distributed through department stores. Hosiery sold in department stores has for some time been marked with the long-established NRMA print-punch tickets.

The different marking does not, however, produce a problem since the two lines of hosiery are completely separate in terms of production.

The toy industry has been working closely with the NRMA since the adoption of UVM, but has thus far been stymied by technical questions regarding positioning of marking and other specifications.

As a whole, the toy industry will probably not be in a position to begin widespread marking until late 1977 or 1978, according to Cliff Jacobs of Mattel Toys, since most manufacturers are already well into their 1976 product line "and large amounts of scanning equipment will not be available until then anyway."

Munsingwear has been using Kimball print-punch tickets on lingerie since 1965, but is opposed to using tickets on men's apparel because "we have gotten no benefits from the tickets; it's just been an extra effort on our part," according to Tom Carlson.

"In lingerie we always had a descriptive ticket with our logo on it, so it was no big effort to continue in that direction and easily adapt the ticket for UVM," he said. "But in the men's area, the trend is away from marking garments with suggested retail prices, so we would have to add an extra step, of adding a label, at great expense to the manufacturer."

Levi-Strauss is currently setting up a test for OCR–A with Foley's department store in Houston to determine the feasibility of the new technology. But once again, the company is looking at a three-to-five years from now timeframe, according to Jim McDonald, "if it goes through."

The possibility of retailers converting to UPC or adding UPC to their current tickets has been kicked around for some time now, and again, no definite decision is evident.

As one industry figure pointed out, there are no Warner bras or Arrow shirts in the A&P, and Kellogg's Cornflakes are not an important seller in Bloomingdale's or Saks. The department stores will have to work out their own methods for handling cigars and toothpaste.

While the question of equipment vendors should be examined here to decide whether they favor compatibility between retailing and supermarket codes, the issue becomes clouded when one realizes that two of the major point-of-sale equipment suppliers, IBM and NCR, have introduced their own ticket technologies (IBM magnetic and NCR three-color bar code).

"Theoretically, it should make no difference to vendors of computer equipment whether there is one or a great variety of marking technologies used by their customers," Phil Brail of Kimball Systems said.

"The assumption is that by the time data is input to the computer, it is compatible with the computer's requirements and that it is the user's responsibility to assure that compatibility," he said.

[From Retail Automation Report, vol. 2, No. 2, April 1975]

UNIVERSAL VENDOR MARKING

Universal Vendor Marking (UVM) as a concept is receiving increased attention now that the NRMA has announced its selection of OCR–A. Stores, resources, equipment, and ticketing suppliers are focusing on several vital questions as the industry moves towards standardization:

Will the OCR–A font selected by the NRMA prove to be a workable encoding method for merchandise identification?

Is UVM practical? Can it, and will it be used?

Is there a need for a short SKU assigned by a central agency such as Distribution Codes, Inc.?

How will the transition from present machine-readable marking be accomplished?

What are the potential conflicts between the NRMA's OCR–A, the Food Industry's UPC, and the Publishing Industry's ISBN?

Retail Automation Report believes that the last question may be the most important. More and more non-food merchandise is being assigned UPC numbers and sold in supermarkets. Drug stores, mass merchandisers, and discount outlets are now eligible to join the Uniform Product Code Council (UPC) recently renamed from the Uniform Grocery Product Code Council (UPGCC) to accommodate the non-food stores. Next in importance, and particularly vital to smaller stores, is the need for a short SKU to accommodate their key entry requirement.

It is our opinion that although the OCR–A encoding is the most desirable for general merchandisers, the separate technologies and coding structures used in the UPC, UVM, and ISBN must be examined as a whole and coordinated. Some compromise and reconciliation will be required in order to accommodate the requirements of both food and non-food retailing in some coherent coordinated system usable by all types and sizes of stores. We feel that these considerations must include analysis of the need for short SKU numbers outside of the food industry.

The Pros and Cons of the Automated Checkout

The best and simplest summary of the pros and the cons of the automated checkout was produced some time ago by Media and Consumer, a publication which excerpts from the media the most meaningful news stories to the consumer.

We attach the summary for your information.

There have been two other developments in the field since Media and Consumer published this summary:

1. A spinoff from the development of the UPC is a company that will pay cash directly to consumers. The promotion budget for the activity will reach $25 million annually by mid-1977.

2. The Newspaper Advertising Bureau is using printout from automated stores and selling them to national advertisers to show the relative effectiveness of advertising.

THE OSPR AND CONS OF THE AUTOMATED CHECKOUT

Proclaimed benefits of the consumer	M&C comment	Consumer beware
1. Less waiting time. Because of the speed of the automated checkout's scanner and computer, consumers will virtually streak through the checkout lanes.	Less time at the checkout counter is indeed possible, and is 1 of the prime advantages to consumers.	There's no guarantee that some supermarkets won't substantially reduce the number of checkout lanes when switching to the new system, thus forcing the food shopper to wait just as long as before.
2. Fewer errors in price ringups. Because the price codes on most products will be optically scanned and recorded, there's less room for error on the part of the clerk.	The system will produce fewer errors, unless the wrong information is fed to the computer or the computer goes haywire. Then, watch out!	Since the computerized system delivers the capability for instantaneous price changes, you may wind up paying 51 cents for that can of beans whose price was shelf-listed at 43 cents. Why? Because someone at chain headquarters or in the store raised the price between the time you took the item from the shelf and got to the checkout counter. There's no guarantee this won't happen.
3. Detailed sales receipt. A few of the systems offer a sales receipt that includes both the price and name of each item you bought.	Where available, and it won't be available with all the systems, this may help the consumer in his or her budgeting.	If the brand name and the size or quantity of the product are not included, the receipt offers scant information that will be useful in budgeting or comparison shopping.

THE PROS AND CONS OF THE AUTOMATED CHECKOUT—Continued

Proclaimed benefits of the consumer	M&C comment	Consumer beware
4. Elimination of item-pricing. Since there'll now be on each item a price code that can be read by the optical scanner, there's no need to go through the process of stamping a price on each item. By just putting one price on prominent display near the item, there will supposedly be significant labor savings that can be passed along to the consumer.	While it's true some labor savings could be passed on by the elimination of price-marking on each item, consumerists are almost universally opposed to such a move. The supermarket industry's own tests generally show a distinct coolness on the part of consumers to removing prices from items.	This is potentially the most harmful element of the new checkout system, for a number of reasons: The supermarkets are offering no guarantee that they'll share this savings with the consumer. In fact, supermarkets might merely gobble it up for themselves for increased profits. There's also no guarantee that the supermarkets can faithfully see to it that the price tag is accurate. In fact, the industry as a whole has a notoriously bad reputation for its ability to maintain shelf prices properly. If the prices do not appear on the items, the consumer has little defense—unless he or she is endowed with a superb memory—against the instantaneous price changes mentioned earlier. Having the price on the item at the time it's used (in the kitchen) can reinforce the consciousness of price at the time food is prepared. Comparison shopping will become quite complicated. Checking the price of corn—fresh, frozen or canned—will require either a superb memory or trips from aisle to aisle to compare prices, since none will be on items in the cart. A visual terminal that will flash the price and product name as the UPC is scanned, is cited as another assurance to the consumer that the correct price is being charged. Yet the increased speed of the system is based on a checker using a rapid 2-handed motion to slide the groceries across the scanner and bag them almost simultaneously. That hardly allows the shopper enough time to match the product with the price flashed on the visual terminal.
5. Ease in check cashing. The computer can store the records of more than 20,000 customers and OK in a flash the shopper's check.	Certainly an advantage and one that will save considerable time.	The question is how this information will be used. While the stores probably won't have much more information on a customer's employment and financial situation than they do now, the information will be readily available. Perhaps even for sale to credit bureaus or direct mail houses.

[From the New York Times]

CODE RESEARCH IN SUPERMARKETS

(By Philip H. Dougherty)

It looks as if the Newspaper Advertising Bureau is the first group to come up with a method of testing advertising effectiveness through the far-reaching new Universal Product Code.

The code is that little grid of black bars of varying widths that is showing up on more and more supermarket items. Through it, stores equipped with computerized, laser-scanner checkout counters will have instant access to product movement information.

So far there are only 25 stores with the necessary hardware, but the N.A.B. has signed contracts with six of them to make information available to the bureau and, through it, to advertisers who participate in the bureau's new program. The deal is good only until the end of the year. So it's hurry-up-and-make-up-your-mind time.

Here's the deal. The six stores are spread out from coast to coast and an advertiser who wishes to participate agrees to run a schedule of six ads of 600 lines or larger in three of the test areas.

An additional fee of $2,500 will cover the brureau's handling of the placing, billing, collecting and supplying proof of performance as well as its analysis of product movement data.

Depending on the individual store's reporting systems, advertisers will learn of not only the sales of their particular brands but also those of their key competitors in from one to four weeks.

The stores are in Massachusetts, Michigan, California, Ohio, New Jersey, and Texas. The six-time rates for 600-line ads run from a low of $3,492 to a high of $19,722.

Believing that this idea can best be sold on a face-to-face basis, bureau representatives have been calling on major package goods companies for the last two and a half weeks. Friday, however, there was a small luncheon and presentation for some high-up agency types. The talking was handled by Mac Morris, vice president-national sales, and Richard L. Neale, vice president-grocery product advertising.

According to Mr. Morris, 92 per cent of the nonproduce and nonmeat volume going through supermarkets will carry the code grids by the end of the year.

[From Supermarket News, Sept. 29, 1975]

Scanner-Using Chains Selling Sales Data

(By Eileen Coester)

New York.—One of the predicted benefits of scanning systems—selling sales data—is becomming a reality for six chains operating scanner-equipped stores.

The Newspaper Advertising Bureau, here, is pinpointing the effectiveness of advertising on sales. It is using printouts from the six stores involved, and paying them for the information.

The information is being sold to national advertisers subscribing to the service.

Stores involved, using scanning equipment to read the Universal Product Code, are in California, Massachusetts, Ohio, New Jersey, Michigan, and Texas.

Although the service is designed to tell national advertisers of the impact their ads and promotions have on product movement in stores, as well as competitive information, NAB is furnishing participating chains with similar information.

WEEKLY ANALYSIS

Richard L. Neale, vice president, food advertising, said NAB's research department has been analyzing the chains' printouts weekly and measuring effects of ads on sales. Some of the findings:

A chain moving about 60 cans of tuna a week sold 1,400 cans during a week in which the tuna was promoted in a four-color, newspaper insert.

An in-aid coupon boosted facial-tissue sales from 50 units to 1,300 units.

Instant coffee, selling at about 40 jars, zoomed to 404 units when the brand was couponed in an ad. In the same ad, tomato sauce, featured without a coupon, sold 904 cans rather than its customary 50 cans.

In one ad, 18 items choosen at random sold 15 times the usual amount, whether couponed or not, and 42 items in three different ads averaged a sales increase of 256 per cent.

Neale said some items, such as canned-fruit juice, increased tonnage by 700 per cent when advertised, and HABA items increased a little over 100 per cent. While stressing the value of advertising items, Neale added that sales are also helped by supporting store display.

NAB was one of the first organizations to take advantage of the information available through scanning systems, he said.

Neale sees many benefits for participating chains, as well as advertisers. Besides receiving immediate responses to their promotional efforts and being able to pinpoint the exact effect on sales, the chains are collecting additional revenue.

Each advertiser agrees to run a schedule of six ads of a least 600 lines in three of the test areas. In addition, he pays a $2,500 overcharge, which is split between NAB and the stores. The stores are also paid a fee for the information by NAB.

"We think this is breakthrough information," Neale told SN. "We're not saying it's a national sample, but it is indicative of a particular advertiser and its movement.

"A brand manager gets an instant look at his product movement as it relates to his promotion, and the information is immediate. He doesn't have to wait three to eight months for it." Competitive information is included.

The service will also enable chains to determine which promotions work; what kind of advertising is desired to move so much product, and how often ads and promotions should be run.

[From Supermarket News, June 30, 1975]

UPC Symbol To Be Used as "Coupon" for Refunds

(By Eileen Coester)

New York.—A marketing system involving the Universal Product Code was disclosed by its creator, Thomas D. Greer, who recently resigned as president, of Texise Chemical Co.

At a press conference here last week, Greer said his company, Universal Product Dollars will be launched in southern California early in 1976.

In line with the program, consumers will be able to mail in special UPC symbols on packages of participating manufacturers for cash refunds.

The manufacturers will print their UPC symbols as usual, except there will be a few more bars and a notice that the product is priced a certain amount less. When the shopper reaches the checkout, the item will be scanned as planned without interference with normal UPC scanning.

The shopper can remove the code and mail it to the central clearing house in Dallas. Consumers will receive refunds by check within two weeks, Greer stated. At least $7.50 worth of UPC symbols will be needed for a refund.

According to him, postage-paid envelopes will be distributed through racks in supermarkets, as well as through other distribution devices in print media and mail.

Although no manufacturers have been signed, Greer noted that firms will be able to join the program soon. He said there is no time limit, and manufacturers may join the blanket promotion any time.

Greer stressed the benefits of the program to retailers and manufacturers: Retailers will not have any cash tied up in anticipated reimbursements, for one, and the cost of the program to processors will not exceed 4¢ per UPC label, opposed to 14.2¢ for each redeemed coupon, exclusive of face value.

The executive noted that a tentative ad budget of $2.5 million has been set for the West Coast introduction, and that Universal will have an all-media budget of $25 million annually by mid-1977.

RCIA's Advocate on Automation

Since April of 1973, The Advocate, official magazine of the Retail Clerks International Association, has provided a running commentary on the development of the computerized checkstand.

For the record of the committee, we include reprints of the following articles:

April, 1973—RCIA Alone Can Cushion the Shock of Automation, an editorial by RCIA President James T. Housewright.

April, 1973—Introducing Tomorrow's Cash Register: The Scanner-Computer, a report on the only two stores in the nation with computerized checkstands.

May, 1973—Food Industry Chooses Its Universal Price Code Symbol.

August/September, 1973—RCIA Concerned Automation May Cut Jobs, Reduce Hours, excerpts from an address by Robert Cottrell, Director of Industrial Engineering for the Kroger Company.

October, 1973—Will Customers Flee from an Automated Store, a report on a Kroger Company study of customer response.

June/July, 1974—Automation is Nearer than You Think, a report on the 1974 Super Market Institute.

February, 1975—Will Retail Automation be a "Public-Be-Damned" Operation?, a report on a seminar held by Senator Frank Moss, chairman of the Senate Commerce Subcommittee on Consumers.

May, 1975—Packages Without Prices Is Like Shopping with a Blindfold, by William Nigut, former assistant executive director of the SMI.

June/July, 1975—"Keep the Prices On," a report on the need for item pricing legislation by Senator Frank Moss and Congressmen Benjamin Rosenthal and Harold Ford.

October, 1975—"Checking Up On The Checkout", by Lynne Gordon.

the president comments

RCIA alone can cushion the impact of automation

When automation hits the retail industry fullforce, as the trade journals say will happen in the next few years, our local unions must be prepared to protect the rights of our members. Collective bargaining, I believe, is the only way to cushion the impact automation can have on jobs and hours of work.

Technology has already changed retail operations in recent years. But these changes were primarily innovations to increase the physical flow of materials from the loading platform to the checkout counter. We are all familiar with them: central packing, pallets, electric tugs, conveyors, tray-pack shelf stocking, and sophisticated price marking.

Now comes the giant step—automation at the checkout counter.

In this issue of the Advocate, we describe the operation of the scanner-computer at two food stores. The process, though, is similar throughout the retail industry, affecting department stores, discount houses, and food chains alike.

The system consists of a scanning device which relays the identification of a pre-coded item to a central computer, which in turn immediately records and flashes back the price to the checkout counter.

The scanner-computer's impact on jobs may be especially severe, because the store operator uses approximately 40 per cent of the total manhours of the store's employment at the checkout counter. And as staggering as these statistics are, the potential loss of jobs and income may be even greater, because the electronic checkout system will also affect members doing price marking, reordering, inventory, and bagging.

Already, the companies are predicting vast increases in their profits. For example, in a recent publication on universal coding, the Grocery Industry Association estimated that "a $40,000 per week retail store should expect to save $27,000 before taxes by 1975, after subtracting depreciation, cost of capital (on a $120,000 investment) and other costs. Average return after tax on average investment over 10 years appears to be over 30 per cent."

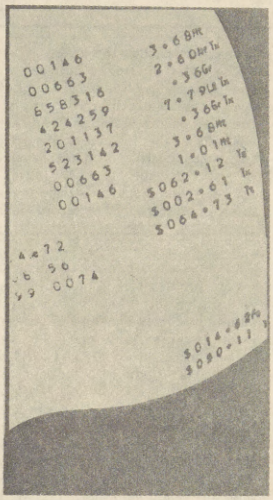
We believe our members deserve a fair share of this good fortune, for after all, they are contributing to the increased productivity.

Seniority rights, retirement, insurance, training, and clerk work must be protected by appropriate language in our collective bargaining agreements. In addition, we must negotiate proper attrition and charter work week clauses. Our 1973 divisional seminars will focus upon these developments and our response.

It is interesting that an industry publication has claimed that as a result of checkout automation, "being relatively free of the detail now inherent in checking, most checkers will be able to enjoy their work a lot more because they will have extra time to get acquainted with their customers." We would welcome this outcome, of course, but it will come about only if the scanner-computers are installed in the proper spirit: with union consultation, negotiation, and a real concern for the lives of the employees.

Introducing tomorrow's cash register:

the scanner-computer



THE computers are different, and so are the sounds they make.

At Safeway 704 in Alamo, California, there's a clicking sound as each sale is recorded.

At Kroger 278 in Kenwood, Ohio, there's a sharp "beep" as the amount of the sale is recorded in the computer.

The computer has come to retailing in both stores. At both Safeway in Alamo and Kroger in Kenwood, the checkout stands have been almost completely computerized, with fundamental differences in equipment but very little difference in final result.

Imagine, if you can, these results:

- A $60 order is checked out without touching a single key.
- After finding two out of a "three for 29¢" deal, the checker doesn't have to worry about finding the third. If it shows up, the computer compensates for the difference. If it doesn't show up, the computer makes the correct computation anyway.
- The computer automatically calculates sales taxes and determines whether or not an item can be paid for by food stamps.
- The transaction tape automatically separates purchases by department, shows a subtotal, a tax, a total, and then tells the checker the authorized food stamp payment and the required cash.
- If there's a big stock of tomatoes and they aren't moving, the price can be changed at the counter where the tomatoes are displayed, and the price will automatically be reduced to that price by an order to the computer.

Retailers in all fields are watching closely what is happening at both Kenwood and Alamo. Here is a brief description of the two systems and their differences:

THE SAFEWAY SYSTEM

Key to the system is a tiny label, about a third the size of a postage stamp. Here it is in actual size:



This tiny label contains a mass of information. It shows the price, for the benefit of the customer. The lines, of varying widths, inform an optical scanner what the ten-digit code for that particular item is. Information as to department is also included.

How is this information read by the checker? It is done with an optical scanner. The scanner looks, feels, and

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weighs just like a pencil. The checker passes the scanner over the label, left to right, and the information is instantaneously recorded on a computer and also registered on an electronic display panel over the checker's head so the customer can follow the recording of the items in his order.

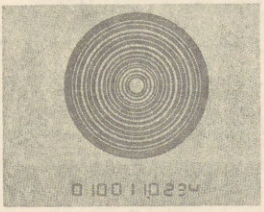
After the checker passes the scanner over the label, the terminal (which used to be the cash register) is instructed by the computer to print the code number of the item, the price, the department and the taxability on the transaction slip. As the terminal does all this, it also makes a clicking sound if the transaction is clear. If there is no click, the checker knows the scanning was incomplete and simply does it over again.

For refunds or unmarked items, such as a single candy bar or an item that needs to be weighed, the checker uses a tiny input keyboard to feed information to the computer.

When all the items in a given sale have been tallied, the checker pushes the "total" button and out comes a summary of the whole transaction. It's that simple. And that quick.

THE KROGER SYSTEM

The key is what Kroger calls its "bullseye," a series of concentric circles. Here is what it looks like, actual size:



Bullseyes appear to be all alike; yet, each is an individual label, giving a special code to the computer, so it can identify price, department, etc.

At its Kenwood store, Kroger has a special location, so that the customer can play the game with the bullseye. The customer is invited to go to any shelf in the store and select an item with the computer-coded bullseye on it. Then, the customer is asked to go to the special customer scanner. The item is passed slowly over the scanner—bullseye down—and the customer can watch the viewing screen for the price of the item to light up.

Kroger offers a prize for customers trying the experiment. If the bullseye fails to show the correct price—as compared to the price shown on the shelf or in Kroger ads—the customer gets 50 free stamps and Kroger's thanks for spotting the error.

The basic difference between the two systems are these: The optical scanner is hand-held at Safeway and the label on the merchandise passes UNDER it; the scanner at Kroger is in a fixed position and the label is passed OVER the scanner.

The Kroger checker also has access to an input keyboard to record items that do not bear a label.

The two systems are really very similar. It would appear that the Kroger system is somewhat faster because the checker has both hands free to move the merchandise over the scanner and directly into the bag. By contrast, the Safeway checker must use the hand-held optical scanner to pass over the label.

IS computerization of the checkout stand profitable? The industry seems to think so. But there is one major stumbling block. For the computer to work at its maximum capability, the grocery industry would need to adopt a Universal Product Code and a special symbol.

As this edition of the *Advocate* goes to press, the code has already been devised and the industry is on the brink of announcing its decision on a UPC symbol. It would simply be a machine-readable label that would individually identify every single item produced by the grocery industry.

If the UPC symbol is adopted and is used throughout the industry, the savings could be fantastic.

There would no longer be any need to price items. Marking crews would be decimated. Merchandise could go directly from the truck to the shelf, without a price having to be affixed. The computer would be instructed as to the price for each individual code. There would still be a price displayed on the shelf, but there would be no need to price each individual piece of merchandise.

What would this mean to the industry? Between the savings at the checkout stand and in the stock room, the industry says that computerization should lead to net savings before tax for retailers equal to 1.0 to 1.5 percent of sales.

Example: A $40,000 per week retail store should expect to save $27,000 before tax by 1975, after subtracting depreciation, cost of capital (on a $120,000 investment) and other costs.

The industry believes that average return after tax on an average investment over 10 years appears to be over 30 per cent.

Is it likely that the Universal Product Code symbol will be adopted? There are real problems. Within the industry, there is concern about the anti-trust laws. But of course, Congress could be asked to give some sort of special dispensation.

So there is no real assurance that retailing is about to move into the revolutionary age of the computer.

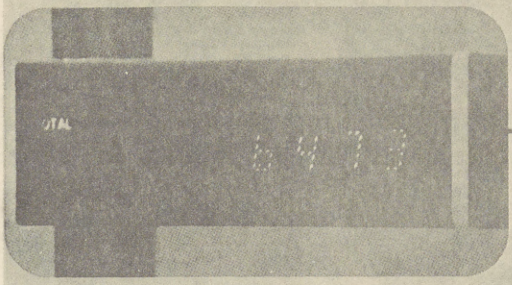
One Safeway veteran who carefully watched the checkout stand at Alamo made this observation: "Well, there's one thing for sure: You'll never hand-crank a computer."

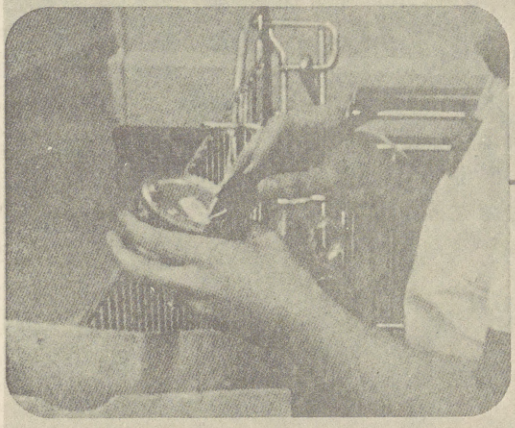
Maybe. But don't bet on it.

Introducing tomorrow's cash register:

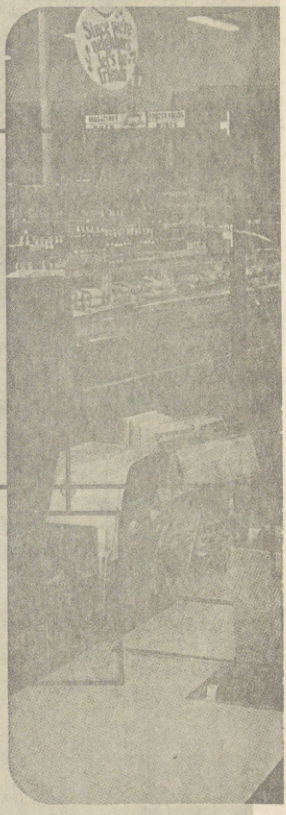
The components of the scanner-computer at the Safeway checkout stand

Customer, instead of watching register, sees individual item entries and (as below) total on electronic display panel. Duplicate panel faces manager's office.

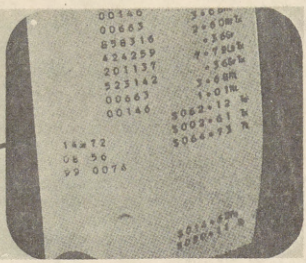




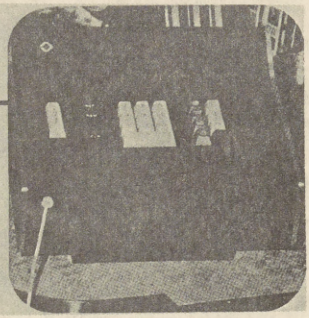
Light-weight optical scanner "reads" Universal Product Code into computer; price immediately shows on display panel, all data prints on transaction slip.







Transaction slip shows item number, price, department, tax status; then prints subtotal, tax, and final total. Also shows date, time (8:56 A.M.), checker (99), transaction number (74), and food stamps ($14.62), and cash ($50.11) required for the transaction!



Small input keyboard is used for unmarked items (single candy bars, individual packs of cigarettes, some produce), and refunds.

WORKING WITH THE SCANNER-COMPUTER
AT SAFEWAY IN ALAMO, CALIFORNIA

What the members think . . .



Mike Lutz, cashier: "The customer—most of them—seem to be accepting it much better than some of us had anticipated. It didn't take nearly as long as I thought it would to learn to use the system."



Jill Southwick, cashier: There are a lot of bugs that have to be worked out. I will say it has been a lot of fun to have the privilege of starting the system in our store and having to work with something different."



Jennie Barnes, cashier: "With this new machine, you don't have to remember too many numbers. Just a few codes. But as far as having to memorize prices and sales and things like that, well, there just is none of that."



Bill Dietrich, stocker: "It would eliminate a lot of time-consuming price changing and would also cut back drastically on marking. But it could also eliminate a lot of workers because it would cut down on work in particular areas."

And the Union . . .

Robert Cowell, attorney for the California State Council of Retail Clerks: "In future negotiations, we must strengthen contract clauses that cover automation and transfer or removal of work."





James P. McLoughlin, president of Local 428, San Jose, California: "Undoubtedly they will continue to work on it and make it more sophisticated. Then it could have a tremendous effect on a number of people."



RCIA officials gathered around William Winegarden of the Safeway staff (back to camera) as he demonstrated the automated checkout counter in action. Shown, left to right, are Regional Coordinator Lee Berns, Robert Barron (Local 770), Jim McLoughlin and Claude Fernandez (both of Local 428), Mitchell Copitas (Local 1222), and Bill Henderson (Local 1179).

Ralph Williams, president of the California State Council of Retail Clerks: "Our council is vitally concerned as to what the test at Safeway might prove in the transfer or removal of work. In our industry-wide contract, we have a provision that would make re-training available to present clerks before any new clerks could be hired.

We're concerned about every aspect of the test as it affects checkstand work, inventory control, ordering or any other duties of the clerks in the store."



WORKING WITH THE SCANNER-COMPUTER
AT KROGER IN CINCINNATI, OHIO

What the members think . . .



Barbara Skelton, assistant head cashier: "When you finish an order under this new Kroger system, you know you're right. You do credits and everything at the end of the order. You don't have to worry as you go along. You don't ask yourself: 'Was that item on sale?' Under the old system, you'd have to remember, 'Gee, Ivory Liquid 32 ounce is on sale for 39 cents this week.' The computer has that figured out for you."



Peggy Shotwell, cashier: "I was here for six months before the new system was installed. You handled items twice and bagging was a lot harder. The new way you just put items into the bags as they come down from your belt. The new way is just faster and more accurate."



Marilyn Smith, cashier: "You simply don't have to memorize a whole mess of things under this new system. Frankly, I wouldn't try to quote a single price now because I don't know any prices and don't have to."



Jay Munz, produce: "I think it's a lot faster on the front end with the automated system, and eventually I think it will be a lot faster on the back end."

Management . . .



Robert Cottrell, Kroger director of industrial engineering: "Let's talk about this project from a productivity point of view, which is what I think your members are concerned about. We are achieving improved productivity; in turn, this helps us improve service to the customer, which keeps the customer coming back. The store has enjoyed an increase in sales and customers as a result of this test, and we think this is a good indication of acceptance of the system."



Paul Goldschmidt, store manager: "If there is a universal product code developed, it would have quite an impact. If we have merchandise coming in that's prelabeled, that will reduce labor. We won't have to mark the merchandise, but we'll still have to stock. We think more business will create more jobs."

And the Union.



James Connolly, president of Local 1099, Cincinnati, Ohio: "If, in the not too distant future, we had a complete scanner-type operation in this area, our food membership would shrink as much as 40 per cent, and this would be only as it applies to cash register operation and checkout procedures. This would not be taking into consideration the ramifications that are going to be involved as far as the marking and stocking procedures are concerned. I believe we must negotiate strong language in our contracts. For openers, all employees currently working must be protected by attrition clauses. And certainly a shorter workweek for fulltimers—while keeping up the benefits and wages—is one of the answers to the problem."

Food industry chooses its universal price code symbol

THE Ad Hoc Grocery Industry Committee has announced selection of a symbol for use in conjunction with its universal product code.

Enlarged, the symbol selected looks like this:



In its working size, the symbol will appear slightly smaller than 1.5 square inches on merchandise. In this tiny space, the lines on the symbol will be able to generate 10 billion individual, distinct, machine-readable numbers. Each processed grocery item will have its own individual symbol under the plan announced by the Ad Hoc Grocery Industry Committee.

Since each symbol is machine-readable, a computer can read the symbols, know the price of each item, flash it instantaneously onto an electronic display panel for the customer, and store the information for use later in computing the total bill.

According to the Ad Hoc Committee, the timetable for development is as follows:

- Manufacturer conversion to symbol marking of products should start almost immediately.
- The first operational system should be underway by the end of 1973.
- The symbol mark should be applied to 50 per cent of the merchandise at its source by the end of 1974.
- Manufacturer conversion to symbol marking is scheduled for completion by mid-1975.

The impact of this automation on jobs and hours could be tremendous because approximately 40 per cent of the total manhours of employment in a store is at the checkout counter. The Grocery Industry Association esti-

With 50 per cent of items to be symbol-marked by late 1974, the stage is set for conversion to the scanner-computer and automation of the checkout stand. RCIA Division directors discuss impact on hours and jobs.

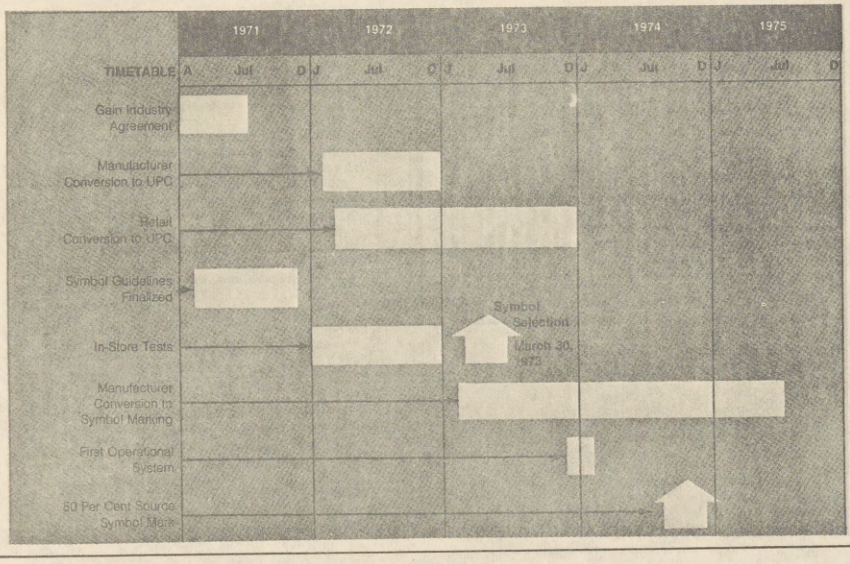
mates that retail stores should expect substantial profits by 1975. And translated into jobs and hours, that means the scanner-computer could cause an immediate reduction of employment hours per week in all stores which install the equipment.

This long-range impact on jobs and hours is even greater because the scanner-computer affects members doing price marking, reordering, inventory, and bagging.

Meanwhile, the RCIA Division directors met at International headquarters to discuss the impact on jobs and hours that the scanner-computer may have. The directors also discussed measures that might be taken to protect the rights of the members.

Further meetings are planned and the 1973 divisional seminars will focus on automation and the union's response to the challenge. ■

The timetable for the universal price code system





RCIA concerned automation may cut

AT THE Supermarket Institute Show in Dallas, Texas, all eyes were on the scanner-computer hardware. And all ears were turned to Robert Cottrell, Kroger director of industrial engineering, who reported on test results at Kroger's experimental store in Kenwood, Ohio.

The equipment, Cottrell said, will increase productivity by 44 percent at the front end. That means, in effect, that unless collective bargaining cushions the impact of the scanner-computers, there will be a loss of jobs and reduced hours.

Furthermore, as the photographs indicate, there may be even more technological changes in the near future, from one-man bake shops to automatic bottle return machines in the retail food industry. Similar developments are anticipated in other retail fields. The scanner-computer—as revolutionary as it is—may only be the tip of the automation iceberg.

As Kroger's director of industrial engineering, Robert Cottrell has full responsibility for research development and staff implementation of all new methods in the equipment used in 1,400 food stores. Here are excerpts from his speech to the Supermarket Institute Show.

The automated checkout is truly the key to profitability in the food industry . . .

Improvement in front-end labor productivity can provide for a significant improvement in customer service while helping to reduce labor costs . . .

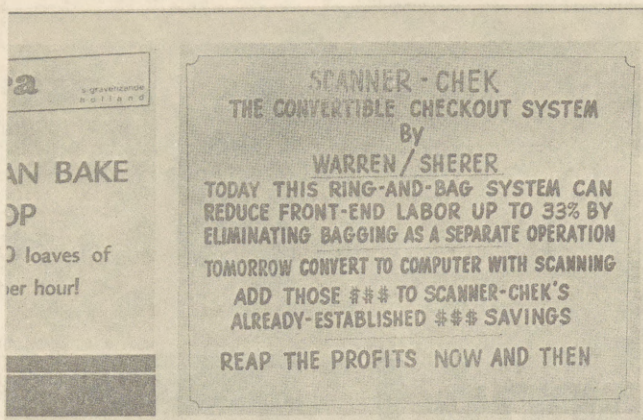
The test store is located in Kenwood, Ohio. The total store area is 19,000 square feet, of which 12,000 is sales area. Sales are approximately $3.7 million per year, and the store handles about 10,000 minor items . . .

The store sells approximately 131,000 consumer units per week. Of this total, 121,000 are labeled in the store, 20,000 by the automatic scale and label system, and 101,000 by hand. The 10,000 items that are not labeled are small items such as gum and individual packs of cigarettes. The store averages 8,000 customers per week with an average order size of 24.8 items on the regular lanes and 5.9 items on the express lane.

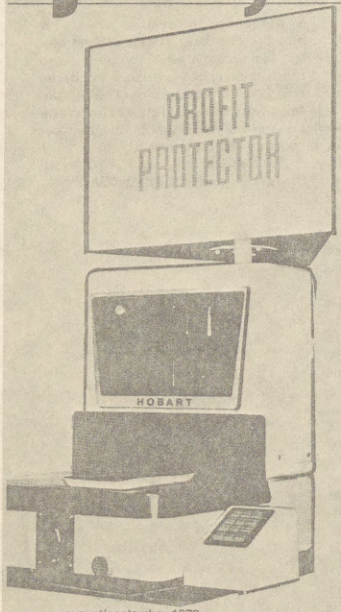
The test configuration consisted of five regular lanes with RCA fixed bottom slot scanners employing a scanner-bag technique with automatic coin and stamp dispensers, and one 12 item express lane with the same equipment as the regular lanes. (Set into the checkout stand, a fixed bottom slot scanner allows a computer to read price-coded symbols on items which pass over the slot. The computer then immediately records and flashes the price back to the checkout counter—editor's note.)

The test started July 3, 1972, with the installation of the first RCA check-





: jobs, reduce hours



stand. The advantage of the RCA checkstand is that the checker can scan and bag items in one efficient and continuous motion.

This precludes the need for separate baggers, thus significantly reducing front-end labor costs . . .

For purposes of this study, front-end productivity is measured in terms of sales dollars per man checkstand hour. For purposes of comparison, we measured sales and sales per checkstand hour in a pre-test period and compared these numbers to the results of the post-test period. In this comparison, we found that while sales had increased nine percent, productivity and sales per checkstand hour was up 45 percent.

During the pre-Christmas week, sales reached a high of $99,847 and productivity reached $339 per hour. This peak week productivity represents a 64 percent increase over the base period.

Now turning our attention to customer service: customer service is measured by the length of line or the average customers per lane, including the customer being serviced, and by the average time it takes from when the customer first enters the line till all groceries are bagged and the customer is ready to exit the checkout area . . .

In looking at wait-time per customer, we found significant improvement. Every day of the week, the average time the customer spent in line was significantly less than in the pre-test period. And reduction in average wait-time per customer in the post installation period is even more significant considering the post installation period had a higher sales volume . . .

In addition to the major areas already covered, there are other sources of savings that are significant. These have to do with checkstand accuracy, system reliability, pricing, price changing, training, and bookkeeping.

Let's look first at accuracy. Over three million items have been scanned without a misread. There may be instances, however, where an item is mislabeled, the file is in error, or a mis-ring is performed on the key entry. A secret shopping study was conducted to identify the frequency of these errors. This study was conducted in two stores and covered the checkout of 5,750 items in the test store and 4,317 items in the control store. The results indicated that the

"The automated checkout is truly the key to profitability . . . The Kroger-RCA store test produced the following significant results: we achieved a 44 percent improvement in front-end productivity."

—Robert Cottrell
Kroger director of industrial engineering



Automation CONTINUED

frequency of errors in the RCA system was only one-fourth as much as the errors on the conventional checkstands, but as a percent of sales the RCA system showed an improvement of .159 percent.

Let's look at system reliability. The RCA system has been operating for 37 weeks at 84 hours per week for a total of 186,480 minutes. The system has been operational 99.97 percent of the time that the store has been open.

Beginning in September, the performance of three new checkers was measured immediately following a five hour formal training. Each trainee's performance was measured over the first 360 orders of normal operation. Measurements were taken in terms of processing time per item, checker errors per order, and daily sales per manned hour. In all three measurements, we found no evidence of a statistically significant change in performance. We concluded that the simple nature of the scan and bag function yields attainment of satisfactory performance within a very short training period.

In the area of bookkeeping, the Kroger bookkeeping system was designed with emphasis on accountability rather than labor saving. However, a savings of six and one-half hours per week was realized . . .

The Kroger-RCA store test produced the following significant results: we achieved a 44 percent improvement in front-end productivity, and we also identified a substantial opportunity for additional savings with source symbol marking. On the basis of these kinds of results, we feel confident in saying that the automated checkout is truly a key to profitability in the retail food industry.

(Editor's note: Robert Cottrell also reported on customer reaction to the automated equipment and symbol marked items. These findings will be printed in the next issue of the Advocate.)

STUDY SAYS NO:

Will customers flee from an automated store?

Kroger tested customer response to symbol-marked products and customer reaction to automated checkout procedures which featured the scanner-computer at their experimental store in Kenwood, Ohio. In his speech to the Supermarket Institute Show, Robert Cottrell, Kroger's director of industrial engineering, reported their findings. Here are some of his remarks.

THE TEST STORE IS located in Kenwood, Ohio. The customers who shop there are primarily middle-class, white-collar clientele. However, the store also draws from the upper-middle class area to the north and the lower-middle class area to the south. Food stamp purchases account for less than five percent of the customer count, while welfare orders are minimal . . .

Let's look at the human side of the picture, and ask how did the customer respond. To educate the consumer, several bag stuffers were distributed explaining the new system and describing the additional information provided on the sales receipt. Two audio visual displays in the sales area presented tips on how to shop and asked the customer to place the symbol down on the belt. Signs were also placed on each checkstand requesting placing of the products with the symbol down. Customer cooperation in this regard was excellent.

To measure consumer acceptance, five waves of customer surveys were conducted coincident with significant events of the tests. Each wave consisted of a combination of personal interviews which were in some instances followed up by telephone calls. The first wave was conducted prior to installation, the second wave was after the first checkstands were installed, the next wave after all the checkstands were in operation, the fourth wave after the price removal began, and the final wave was late January of this year.

The most sensitive consumer issue in this entire program is removal of the prices.

To gain support for price removal, we had to try to establish customer confidence in the shelf pricing system. The system we used not only displays the price, but also described the item and size. In addition, a customer scanning unit was installed adjacent to the checkout to allow the customer to check shelf prices against the system price. By scanning an item across the window here, she would get a display of the price that was in the system which could compare to the price she had determined from the shelf. And the customer was offered a reward if a discrepancy was found . . .

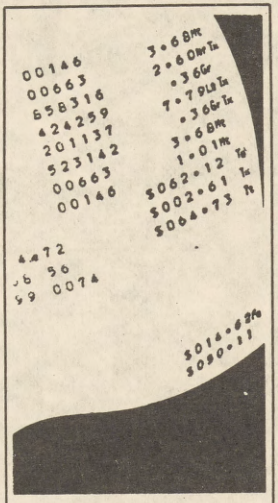
Elimination of price marking was executed gradually. First, price marking was eliminated in an eight-foot section containing detergent and gradually expanded to include all grocery items. Prices were not removed from frozen food, dairy, or meats.

Now, let's look at how the consumers reacted.

The marketing surveys were designed to show customer ratings and consumer acceptance on a scale of one to six, with one being poor and six being excellent. The ratings of the Kroger test store on each of the general store related attributes—general store layout, lack of congestion, and ease of shopping—show significant improvement.

It is known from prior research that slow checkout is the major complaint voiced by customers toward supermarket shopping. As the consumer survey indicates, customers clearly recognize the vast improvement in the speed of the checkout procedure.

But on the negative side, removal of individual item pricing on dry goods resulted in significant decline in the rating of the Kroger test store for adequate price information. This indi-



"Sales in the test store increased nine percent while they were up 5.5 percent in the control stores . . . We believe that the significant gain in sales is positive evidence of customer acceptance of the system."

—Robert Cottrell
Kroger's director of industrial engineering

Will customers flee from an automated store?
CONTINUED

cates that the shelf strip price marking for dry goods has not yet been fully accepted as replacement for individual item prices.

However, with all these factors considered, the shoppers' overall reaction toward the Kroger test store was indeed positive.

Although we recognized the value of the consumer survey information, the real test of consumer acceptance is measured by customer counts and sales trends.

For this reason, weekly sales and customer counts have been measured in the test store as well as three Kroger control stores in the same marketing area. The five-week period just prior to installation was used to establish a base line for customer count and sales. This was compared to a four week period following installation.

Although the customer count was down in all four stores, the percentage of value was 3.1 percent in Kenwood and 3.6 percent in the control stores.

But when we compare sales, we see a very favorable picture. Sales in the test store increased nine percent during this period while they were up 5.5 percent in the control stores.

We believe that the significant gain in sales experienced in the Kenwood store when compared to the control stores is positive evidence of customer acceptance of the system. ■

A QUOTE WORTH NOTING:

Produce may go the way of meat

"There is a definite trend from bulk to prepack produce.

"In 1970, 43 percent of all produce items were prepacked. Currently, in 1972, 53 percent of all produce items are prepacked. And by 1974, 70 percent of produce items will be packaged prior to display on supermarket shelves."

—Bill Bishops, *Supermarket Institute director of research*, reporting to the 1973 Supermarket Institute Show on industry trends

Union-Industries Show draws a crowd of 241,762



NEARLY A quarter of a million people visited the 1973 Union-Industries Show in Minneapolis, Minnesota. At more than 400 exhibits, the visitors saw the skills and crafts of union men and women, and also received 5,000 copies of the *Advocate* and 42,000 RCIA shopping bags.

Charles Lowthers, assistant to the International director of organization, coordinated RCIA's booth activity at the show. He reported that Minneapolis Local 1086 and St. Paul Local 789 did an excellent job in assisting at the booths. Also, the locals had acquired some lovely gifts which were distributed free to the visitors at the show.

The show is sponsored annually by the AFL-CIO Union Label and Service Trades Department. ■

It's lineup time at the Minneapolis Convention Hall. At the RCIA booth, visitors to the 1973 Union-Industries Show received more than 42,000 RCIA shopping bags to bring the union store message back to their homes.

AUTOMATION
is nearer than you think

ROUNDUP AT THE SUPER MARKET INSTITUTE

THE MARCH to automation is proceeding with drum-like precision. That was the overall impression at the 1974 Super Market Institute Show in Dallas, Texas, where every major computer firm had exhibits of scanner-computer checkout stands, and salesmen standing by for orders.

Other reports to the Institute show these new developments:

- *Item:* Singer has already installed more than 40,000 electronic cash registers in the United States, Canada, and throughout the world. These registers are completely convertible to a computer-scanner system.
- *Item:* National Cash Register expects to install scanning systems in 700 stores by the end of this year. All these systems can be converted in the store to the Universal Price Code scanning system.
- *Item:* National Semiconductor has already installed its Datachecker system in more than 100 stores. Their system is also convertible to full front-end automation.

These reports of advancing automation only touch the tip of the iceberg. IBM and the other leading electronic firms are also well along the production road.

When will the equipment become fully operational?

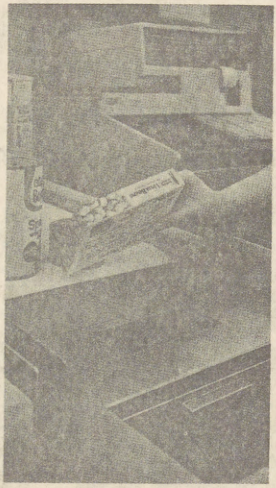
A hint of this answer was likewise gathered at the SMI show.

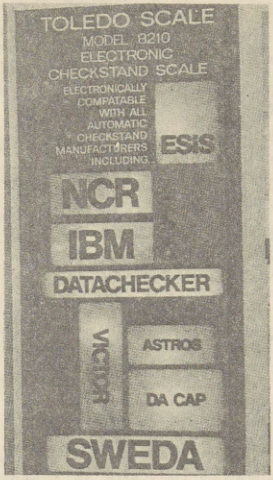
By December 1974, 50 percent of items—some 50,000 products—that are currently sold in retail food stores will be source marked with the Universal Price Code symbol, according to a report by a SMI subcommittee. The subcommittee predicted that installation of scanner-computer systems, working directly with source-marked UPC symbols on product labels, will begin this fall.

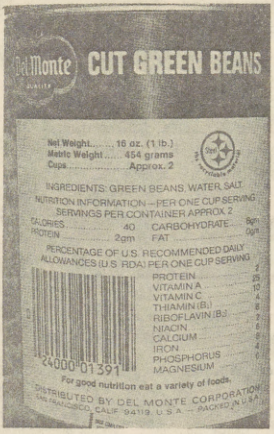
Another indication that the scanner-computers are here for real, is a series of electronic checkout "clinics" planned throughout the country this summer by SMI. These clinics will cover the "how to," "why," and technical explanations of implementing the front-end automatic equipment.

As the industry has done in the past, the key word at the SMI show in relation to the new automatic equipment was PROFITS. How to maximize profits was the number one topic of conversation wherever there was a scanner-computer exhibit. No concern was raised about the automation's effect on jobs.









(Far Left)

A cheap price tag and easy conversion to a full scanner-computer system help sell the free-standing electronic register.

(Center)

The scanner-computer in operation.

(Upper Right)

All the computer companies are after a piece of the action.

(Lower Right)

Del Monte already has the Universal Price Code on their cans.

CONSUMERS UNION RAISES KEY POINT

"Consumers should insist on price-marked packages"

IN A detailed article on supermarket automation, Consumers Union has come out squarely on the side of consumers and workers.

After reviewing the operation of the scanner-computer, Consumers Union asks:

"What does this do for the shoppers?"

Their answer is concise and to the point:

"Well, they get to shuffle a little faster through the checkout line—but then again, the supermarket will probably need fewer checkout counters, so the shoppers will probably wind up on the end of a longer, if faster-moving, line.

"The shopper will find price comparison more difficult. In fact, many shoppers will feel so much at sea without prices marked on packages that we doubt whether the stores can get away with omitting package-price marking.

"Food shopping entails many price decisions that call for rethinking a purchase—canned vs. fresh vs. frozen food, beans vs. pasta, or an end-of-the-aisle special vs. the standard shelf item, for several examples. All of these decisions will be made more difficult if there's no price marked on the item in your basket to compare to an alternate version on the shelf."

Consumers Union's conclusion must be heard by all supermarkets. It is:

"WE BELIEVE CONSUMERS SHOULD INSIST ON PRICE-MARKED PACKAGES."

AN



REPORT

CONSUMER, RCIA, AND GOVERNMENT LEADERS VOICE CONCERN:

WILL RETAIL AUTOMATION BE A 'PUBLIC-BE-DAMNED' OPERATION?

Consumer, RCIA, industry and government leaders gathered recently around a United States Senate Commerce Subcommittee table, where they discussed the introduction and impact of automation in retail, especially in the nation's supermarkets.

Industry leaders got an earful. They learned that everyone is fearful automation may be rammed down the public's throat without regard to the effect on jobs or consumer shopping habits.

The meeting was called by Senator Frank Moss, chairman of the Senate Commerce Subcommittee on Consumers, because of his concern that computerized price coding in the food industry could add to the financial woes of the nation. Earlier, he wrote to President Ford that the automation costs might be "more than $3 billion for computers, redesign of stores, and employee training."

Following are some of the comments and views expressed by the symposium participants.

Tom Wilson *(consultant who helped devise scanner-computer system):* "On source marking, our goal was to have 50 percent of the items marked at source by 1974, 75 percent by the end of 1975. It looks like we are going to make that goal . . . The latest survey showed we would be about 80 percent complete by the end of next year."

Dr. Russell Parker *(assistant to the Bureau of Economics director, Federal Trade Commission):* "Let me share some experience we have had. In 1967 to 1969, the staff of the Federal Trade Commission conducted very extensive price surveys in three cities, Washington, Baltimore, and San Francisco. We conducted 50 house price checks by Federal Trade Commission staff, going into the stores and recording not only the prices, but other problems, and a very frequent problem was shelf marking. It was misplaced; it was outdated; it had fallen off; it was over the wrong item; and in fact, it interfered with the survey."

Tom Wilson: "On comparisons across the store, the only suggestion that I have seen so far to handle the absence of prices marked on merchandise are the grease print pencil idea which Steinberg's is using in Montreal and others are using or planning to use in their installations, so that you can get a grease pencil and give one to every customer, they can mark on the can, if they want to, the price on the shelf and take it with them."

Carol Foreman *(executive director of Consumer Federation of America):* "I find that the most 'public-be-damned' idea that I have ever heard of!"

Carol Foreman: "What is the total cost in the development of the Universal Product Code?"

Tom Wilson: "With research and development?"

Foreman: "Yes."

Wilson: "Well . . . $50 million wouldn't be an inaccurate figure."

Foreman: "The cost of the development of the code, the cost to the grocery manufacturers, the cost for the Council, the cost of the Universal Product Code: all this has been passed on?"

Wilson: "Yes."

Richard McAllister *(RCIA vice president):* "We are very interested in the impact this will have on the people working in the industry, especially on our 670,000 members.

"I would like to state that we are not a



At the Universal Product Code symposium, from left to right: Richard McAllister, International vice president; Walter Davis, special assistant to the International president; Senator Frank Moss; and Ed Panarello, Active Ballot Club Washington director.

union that bargains collectively without taking in the subject of technological improvement. We have gone from the old service store to the sophisticated checkout stands, the weigher-wrapper machines, prepackaged goods, from the old blunderbuss register to the speed register, etc. . . .

"We are concerned about the impact this will have on our people . . . What is this going to do to us? But we can only make educated guesses. The information should have been made available a long time ago. . . .

We get a response from our members as consumers—as consumers and as members that deal with consumers—and they are interested that the prices stay on the product."

Dr. Russell Parker: "I am very much concerned about the competitive impact. I am not an official representative of the Commission in my appearance today, but I am concerned with competitive problems at food retailing, because of the differential impact between small versus large, large market shares versus small market shares in the cities.

"I am concerned about the loss of information from a competitive point of view, because information is what makes our competitive system work. If we have increasing consumer frustration over decision-making, the system just does not work, and if we are going to lose price information, which is the main vehicle of hard competition, price competition, I think it is a serious consideration, and I think that the questions which you could look at in sort of a narrow aspect of consumer relations has a broader meaning, and that is the meaning it has for competition."

Richard Whalen *(business consultant and formerly on Fortune's editorial staff):* "I find it rather amazing that your industry has let this system go as far down the track as it has without seeing the warning lights that have been flashing for a couple of years from consumer activism, consumer demands for responsiveness from the industry. I think it would be rather tragic if this high degree of technical innovation is to rust because of resentment and antagonism from people who felt they were entitled to be part of the consensus underlying this great change."

James Turner *(consumer advocate):* "There is a tremendous potential for the use of this kind of technology to help deal with the problem of food availability, and food prices, but the way the decisions are being made about its use are endangering that very technology.

"There are three specific areas that consumer groups have been concerned about. One is that the price not be removed from the individual items. We believe that, to the extent there is evidence, there is great danger in taking the price off . . . The prices should remain on the product until such time as a better system can be found for display. . . .

"Second, we would like to have some assurance that the service level is going to be maintained roughly at the level it is now. So, when you talk about a 30 percent savings in checkout time, that 30 percent savings should not be spent by cutting down the number of checkout lines to the point where we stand in line the same amount of time and have fewer checkout lines.

"The third point that be believe is essential is that there be a public involvement in the policy making of this system, and by that I mean individual groups of people who shop and deal with supermarkets and the public. . . .

"That general kind of approach is one we would like to see pursued. But we do not believe as yet we have really made the impact on the people concerned with UPC necessary to develop the level of exchange needed, and that we believe is needed from the top of the UPC Council down."

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Packages without prices

is like shopping with a blindfold

by Bill Nigut

Assistant Executive Director of the Super Market Institute 1948-1956

Bill Nigut is a marketing consultant who specializes in consumer attitudes, habits, and trends in the retail field. From 1948 to 1956 he was assistant executive director of the Super Market Institute.

EVER since their inception some 40 years ago, self-service food stores have stamped prices on products. This was done, originally, for the stores—not the consumers—benefit; it enabled cashiers to check-out customers' purchases.

Through the years, however, the pricing practice—apparently unbeknownst to the industry—came to be regarded by consumers as an important customer service of inestimable value to them in comparative price shopping and in getting more value for their food dollar.

Now, with the development of the Universal Product Code and the computerized electronic checkstand, the industry says it no longer will have a need to price individual items. It wants to discontinue the practice to help reduce costs and improve productivity.

But consumers argue that, with low-cost food a thing of the past, their need for readily available price information is greater today than ever before and the industry must continue to satisfy this need.

The industry insists that one of the advantages of the new system will be lost if it must continue price marking. Some industry spokesmen have said if customers want prices on items they can put them on themselves with grease pencils which the stores gladly will supply. "That is the most 'public-be-damned' idea that I have heard of," said Carol Tucker Foreman, executive director of the Consumer Federation of America. She observed the industry suggestion is like saying, in effect: "Lady, here is a grease pencil. If you want to work for us, work for us." But without pay, of course.

Thus the lines are being drawn in what may be the most historic—and needless—confrontation between supermarket operators and consumers. Needless because consumers, basically, are not opposed to installation of the new check-out system: they object primarily to the elimination of price marking. And needless because the industry, according to its own data, can switch to the new equipment, continue marking prices, and still profit handsomely from the major benefits inherent in it.

One chain store executive has charged consumer groups who have protested the elimination of price marking with "playing with half truths." A critical review of industry statements and literature on the subject, however, suggests that the industry—particularly its Ad Hoc Committee on Universal Product Coding and McKinsey & Company, the management consulting firm which has worked with the industry on the UPC project since 1970—are the ones who are vulnerable to that charge.

For example, the industry is suspect in warning that consumer insistence on price marking (1) will discourage or delay the installation of computerized checkstands, (2) will cancel "the savings which can result in somewhat lower food prices," and (3) will "add significantly and unnecessarily to the cost of grocery product distribution."

The hard, incontrovertible facts do not support any of these statements.

Last December, Tom Wilson, senior partner of McKinsey & Company, told the Senate Consumer Subcommittee that: "It (price marking) would reduce the attractiveness of the (new) system to the retailers . . . It would have, I think, a negative influence on installation."

But Mr. Wilson must know that, with or without price marking, the industry will convert to the new system as fast as

without prices

is like shopping with a blindfold

(Continued)

the equipment becomes available because of the "almost endless" benefits it will reap in the form of both "hard savings" and "soft savings."

That is why Robert Sloat, vice president retail operations, Foodarama Supermarkets (Freehold, New Jersey), told the New York Grocery Manufacturers' Representatives last February that: "Unless something drastic happens, nothing is going to stop the implementation of scanning."

The continuation of price marking will not be a drastic "something." If a chain can stop price marking each item, Mr. Sloat said, it can get about a 35 percent return on its investment in the new checkstands; with price marking, the return on investment is about 25 per cent, "still within the realm of possibility," and that return, he noted, is "hard savings" only.

The real payoff to the industry will be in the "soft savings," as Mr. Wilson knows full well, for members of Super Market Institute were reminded at their 1972 annual convention that "you have heard McKinsey & Company say repeatedly that they believe the soft savings will be greater than the hard savings."

The savings that the industry will realize from eliminating price marking, according to its own data, will be no more than some 17 to 19 per cent of the total gross savings resulting from the new system. And only some 0.3 to 0.4 percent of a store's annual sales.

If these savings were passed on to consumers—and Mr. Wilson told the Senate Consumer Subcommittee "there is no law that says a retailer must reflect lower costs in lower prices"—they would be only some 11 to 15 cents a week for a family of four, or 3 to 4 cents per person.

The industry, while extremely voluble about these meager projected savings, has been understandably tight-lipped about a greater potential inherent in the new system for lowering consumer food prices.

"Consumers are reacting with hostility to the elimination of price marking."

In May 1973, *Advertising Age* estimated that "manufacturers pour some $1 billion or more each year into retail grocery promotion programs in the form of cooperative advertising and promotional allowances.

"Contracts covering promotional allowances routinely call for retailer 'performance'," *Advertising Age* reported. "But enforcement is lax, and it is no secret that a good percentage of the money goes into retailer profit."

This was confirmed by one manufacturer who told the Senate Consumer Subcommittee: "Only a small percentage of these deal monies are actually passed along to the consumer in the form of savings."

He then explained that the new computerized checkstands will offer manufacturers "the opportunity to be substantially more productive in their trade deal expenditures" and will ensure "that trade deal monies are passed along to consumers in the form of reduced prices at the check-out counter."

This would mean, he said, that "the cost of printing and distributing coupons would be eliminated and retailers would not have the bother of handling coupons at the cash register.

"The potential savings to consumers and business are obvious, and should balance the capital investment costs of implementing UPC and optical scanning."

The magnitude of such savings was indicated by *Advertising Age's* report that one chain, with a weekly sales volume of $5,000,000, saved $20,000 a week by accepting various case allowances, but it could save as much as $50,000 a week "with better buying practices relating to deal offers."

This potential additional $30,000 per week savings is 0.6 percent of sales and is twice as much as the projected 0.3 percent of sales savings envisioned by Giant Food Stores from eliminating price marking.

And it is but one of the "soft savings" that the industry can bank on after it converts to the new system.

In a recent national survey of supermarket shoppers, (a) 53 percent objected to having prices marked only on shelves rather than on individual items, (b) 50 percent feared that the UPC system might result in higher prices, and (c) only 38 percent believed it would shorten checkout lines.

It is now clear that the industry's ill-advised decision to call for the elimination of price marking is a monumental blunder which is causing numerous adverse effects. It is especially clear that:

- Consumers view the elimination of price marking as industry's insensitivity and unresponsiveness to customers' wants and needs.
- Consumers are reacting hostilely to the industry for their attempted elimination of price marking.

At the bottom line, the irony of the whole situation is that, while the food industry's credibility with consumers is plummeting, the industry is becoming involved in a needless confrontation with the consumer over an issue—price marking—in which the industry will certainly, one way or another, be the loser. ■

AN AFL-CIO REPORT

"Keep the Prices On!"

How are the federal price-marking bills faring in Congress? In this issue of the Advocate, the leading sponsors report the latest developments in the drive to keep prices on all merchandise offered for retail sale.

Senator Frank Moss, chairman of the Commerce Committee's Subcommittee on Consumers, has some good news concerning his bill—S.997—in the Senate: the subcommittee has scheduled it for hearings early this summer.

Representative Benjamin Rosenthal, considered one of the leading spokesmen for consumerism in Congress, explains why he introduced H.R. 4551 and why he considers the issue so important.

Representative Harold Ford already has 66 co-sponsors for his bill, H.R. 3126. (Sponsors for H.R. 3126 and H.R. 4551 now total 99.) But Representative Ford cautions that passage is not a shoo-in; there is still a great need for letter writing, telephoning, and face-to-face contact with Congressmen and Senators—especially to members of the Committees that will hold hearings on the bills—to prove to them that union members and consumers are concerned about price-marking legislation.

Packages with prices: the only just way

by Congressman Benjamin Rosenthal

THE Universal Product Code now appears on more than 50 percent of all supermarket products, and within the coming year over 30 major supermarket chains will be experimenting with the new scanner system. In 5 years, more than half the major supermarkets in the nation are expected to be using automated checkout systems.

Unfortunately, many retailers are using UPC as an excuse to discontinue the item pricing of individual packages because that is no longer necessary for the tallying of purchase totals. The elimination of item pricing makes comparison shopping within a supermarket extremely difficult. It prevents shoppers from comparing the prices of newly purchased items with those stored at home or advertised in the newspaper. It makes it virtually impossible to total purchases accumulating in the grocery basket. It reduces the consumer's consciousness of food prices and price increases.

Beyond these considerations, the storing of prices in an offsite computer opens the way to deception on the part of the supermarket managers. While

(Continued on page 22)

Why the price disclosure bill deserves legislative support

by Congressman Harold Ford

SIXTY-SIX co-sponsors have joined me in introducing a bill that would require the labeling of packaged consumer commodities with their selling price.

I am pleased my bill, H.R. 3126, has received broad bipartisan support. During an economic period when the unemployment rate is at an all-time high and many citizens are on a fixed income, frugal comparison shopping has become more crucial for all of us. Knowing at all times how much an item costs is imperative to retaining that essential price consciousness which makes us better comparison shoppers.

This legislation has been referred to the House Interstate and Foreign Commerce Committee's Subcommittee on Consumer Protection and Finance. Although we have good Congressional representation on our bill, it is important to note that price-marking legislation needs as many co-sponsors as possible on the 43 member Interstate and Foreign Commerce Committee. In order for this legislation to get a sympathetic hearing and receive prompt consid-

(Continued on page 22)

Consumers will get their say at Senate hearing in July

By Senator Frank Moss

THE consideration by the Senate Committee on Commerce of the automated check out situation has been a most informative and interesting experience. We have reviewed the methodology and studied a number of the factors which go into this most interesting effort.

Without detracting from the advantages which UPC might provide, it is important for us to determine whether or not price marking is useful to enough consumers to warrant the legislation. Several weeks ago on the ABC Evening News, a brief clip was shown on automated check-out. The narrator closed by telling viewers to write me with their opinions. On few issues have I ever received as much correspondence.

Although the mail as a result of that program cannot in any way be considered the results of a thorough survey, some of the comments which were sent in bring home the need for price marking.

"How can I compare the price of the same product purchased at two different stores just days apart without there being markings on the can?"

(Continued on page 22)

Packages with prices: the only just way
(Continued)

the industry claims that the UPC system reduces error in grocery tallies by eliminating mispunches on the cash register, consumer groups point out that it also permits stores to charge prices at variance with those advertised or posted on shelves without the consumer ever being aware.

Studies indicate that even if such deceptive practices are not engaged in, shelf markings are not a good substitute for item pricing because they are such an inaccurate source of price information.

UPC was developed by the food industry to benefit itself without any consultation with consumer or employee groups. And the industry is now advertising it as a benefit to the consumer. On the contrary, this has the greatest potential for abuse of any so-called innovation the grocery industry has yet produced.

In an age of soaring prices, we must do everything we can to give consumers the tool they need to maximize the value of their food dollar. The elimination of individual item pricing is a move in the opposite direction.

The price of a UPC system is estimated at $100,000 or more per supermarket, and as with similar innovations, the cost will be reflected in higher food prices.

This bill also calls for unit pricing of all nondurable products as well. This means the retail price of a product, per single whole unit of weight, or volume of measure, must be posted in the shelf along with the item price. Unit pricing is one of the most anti-inflationary measures we can take to bring down the high cost of food. It is a tool that permits consumers to make precise price comparisons between various sized packages of the same product and to select the one that is most economical for his needs. ■

Why the price disclosure bill deserves legislative support
(Continued)

eration, efforts will be needed to increase support from the members of that Committee.

Support should also be increased from Congressmen representing districts in the following 13 states: Alaska, Arkansas, Florida, Illinois, Maryland, Massachusetts, Michigan, Minnesota, New Jersey, New York, Washington, Wisconsin, and California. Consumer price-marking legislation has either passed or is pending before these state legislatures and is an easily identifiable issue to members of those 13 delegations.

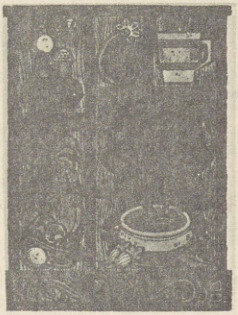
Congress also needs more customer reaction to the very real possibility of the elimination of price-marking. A recent Roper poll found that a growing number—about 4 in 10—think current food labeling laws are not strict enough. Among women, Roper Reports found this desire for stricter labeling has gone up 10 points since 1973. While this poll did not target price-marking as an issue, it is indicative, I think, of a trend among consumers for increased disclosure and price frankness on the part of manufacturers and retailers. The loss of price-marking will have a devastating



effect on the general price consciousness we consumers carry around with us. It is precisely because "a little knowledge is a dangerous thing" that we face the loss of those little numerical figures which play such a large role in our awareness of cost increases. ■

Consumers will get their say at Senate hearing in July
(Continued)

"When I am cooking, I sometimes decide on the frozen variety of a product instead of the canned. This has to do with the quantity I expect to use



and the price of the item. The quantity is marked but what will happen to the price on the package?"

Even more interesting to me was the difficulty faced by the elderly and those with poor vision. "I wish I could use the unit price tags on the shelf, but with bi-focals I can barely see the tags on the top shelves. Usually I pick the product off the shelf and bring it right up to my eyes in order to see the price. If they take the prices off it will be something like supermarket roulette for me."

I am certain that when our Committee begins its hearings on the Universal Product Code—and my bill S. 997 which would require numerical price marking—this July, we will have an outpouring of these consumer sentiments, and in addition, the hearings will provide the format for a complete review—from all sides—of the issues posed by this great change which may be before us in the shopping patterns in America.

But of one thing I am certain. The

human aspect of this initiative holds a great deal of persuasive power in the Congress. Yes, we are in favor of increased efficiency. Yes, we want to insure that the upward pressure on prices is resisted. But are we to do this at the expense of all convenience to the consumer? The decision which we make in the Congress in the months to come will be based on the experience of those who are making use of UPC. Clearly, the evidence indicates that UPC is cost beneficial even with price marking. The retailer will still have significant savings and will be able to pay for the equipment in a relatively brief time even with price marking. The question then becomes this. If the retailer is going to have all of these benefits, if the retailer is going to be able to make savings, must he do it at the expense of consumer convenience? That is the issue with which the Committees of Congress will be faced in the coming months.

Foremost in my mind is the need which the consumer has for easily available price information. While the automated check-stand equipment making use of the Universal Product Code has the potential to provide the public with a detailed and accurate register receipt, I have concern that the register tape is not sufficient to replace price markings on individual cans. Today, it is just so simple to take a look at two items on the shelf at home which may have been purchased at different times in different stores and see how much was paid for each item. It's fairly simple to look at the peas in your home freezer and compare the price to the can on the shelf of your pantry. But without price marking, we might become a nation with a chicken in every pot and a filing cabinet in every kitchen. ■

Consumer and union groups support price marking legislation

MAJOR consumer and union groups have now officially endorsed the price marking legislation. These include:

- ☆ **Consumer Federation of America**—representing more than 30 million Americans, the Consumer Federation of America has not only endorsed the price marking legislation but has also published a detailed brochure explaining its stand and the issues as they affect consumers.
- ☆ **National Consumers League**—the executive committee of the National Consumers League officially endorsed the continuation of prices on items offered for retail sale.
- ☆ **AFL-CIO**—the executive council of the AFL-CIO voted unanimously to support all legislative efforts to keep numerical prices on merchandise for retail sale.
- ☆ **Coalition of Labor Union Women**—unanimously adopted a strong resolution on consumer comparison shopping that included a demand that numerical prices remain on all items for retail sale.
- ☆ **Coalition of Black Trade Unionists**—by convention action, adopted a resolution to specifically support the Moss, Ford, and Rosenthal bills in Congress and in addition urged support of government action at all levels, from municipal on up to federal, to keep prices on retail items.
- ☆ **National Council of Senior Citizens**—at a legislative rally, 3,500 delegates of the 2 million member organization put forth a position in favor of keeping numerical price marking on retail items.

CONSUMERS BEWARE

CHECKING UP ON THE CHECKOUT

by Lynne Gordon

(Lynne Gordon is a well-known syndicated Canadian columnist who specializes in consumer issues. The following article is reprinted, by permission, from the Toronto Sun.)

CONSUMER acceptance will either break or make the new computerized supermarket checkout system now under experiment in a Steinberg's Miracle Food Mart in Dorval, Quebec. Yet surprisingly the food industry has consulted everyone but the public in devising the system that has been in the works for almost 10 years. It is only recently that consumer feedback has been solicited and considered.

The reason, one industry representative explains, is that up until now, the research has been technical and scientific. Now that chains in Canada and the United States are moving ahead with installations, consumer advisory groups are being formed.

The first Canadian computer checkout system was installed in Dorval in July, 1974. Another is expected at a new Miracle Food Mart in Guelph, Ontario, this summer.

The Consumer Association of Canada (CAC) has reacted strongly to the system. They have started to alert Canadian consumers to potential hazards of automated checkouts. Reaction in the United States from consumer action groups has been surprisingly vehement—to the extent that some consumers have picketed stores. (There are 19 installations in the U.S.) Politicians south of the border have been moved to call for legislation to control the actions of supermarket chains.

The CAC identifies the major threat to consumers in the fact that supermarkets want to remove prices from individual items and replace them with shelf labels only. This, the CAC argues, will restrict effective price monitoring by consumers and give the supermarkets the opportunity to increase prices with greater speed through the computer, with the least amount of resistance from consumers.

If the product itself doesn't have a price on it, the consumer has no way of checking whether the price on the shelf and in the computer are one and the same. By the time a consumer reaches the checkout with 20 or more items in a shopping cart, he cannot possibly remember the shelf price of each item and be able to compare it with the price flashed across the Visual Display Panel of the computer.

Consumer price awareness will gradually diminish and eventually disappear. Consumers won't be able to keep track of price changes since none of the products in the cupboard at home will have prices on them to remind him of the cost when the product was last purchased.

The CAC passed a resolution at its annual meeting earlier this month, requesting that the department of consumer and corporate affairs take steps to ensure that prices would be clearly marked on each product. They have asked for safeguards "to prevent unfair practices in sales and profiteering by supermarket chains."

The reaction from the consumer and

dent of Akron Local 698, flew to Korea where he coordinated a program for delegates of their National Bank and Financial Workers Union, which has already been able to achieve some of the highest wages in Korea for its membership.

These seminars were followed by one in the Philippines. Richard Eiden, president of Oshkosh Local 214, conducted a two-week seminar for the two largest white collar unions in the country, the Associated Labor Unions and the Philippine Technical, Commercial and Clerical Employees Association. Then, Las Vegas Local 1536 President Leroy Glazer held two seminars in Karachi and Lahore for the bank and insurance workers of the Pakistan National Federation of Trade Unions. In East Malaysia, Boston Local 1445 President John Cunningham taught two sessions, one in Sabah and the other in Sarawak for the bank and commercial workers' unions.

"All the host unions have praised our effort. To me, this is first and foremost a credit to the expertise of our local union leaders," International President James Housewright said. "But I also believe the education was two-way: our people gained a deeper understanding of the needs and aspirations of our counterparts. They saw for themselves the hunger and poverty and what a critical role the unions can play to ease the suffering in those countries," Housewright added. ■

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In the Philippines, Richard Eiden (second from right), president of Oshkosh Local 214, receives a warm welcome from Democrito Mendoza (second from left), president of the Associated Labor Unions, and his colleagues.



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George Frazee, (left) president of Akron Local 698, tells his South Korean union audience the United States collective bargaining story. On the right is Frazee's interpretor.

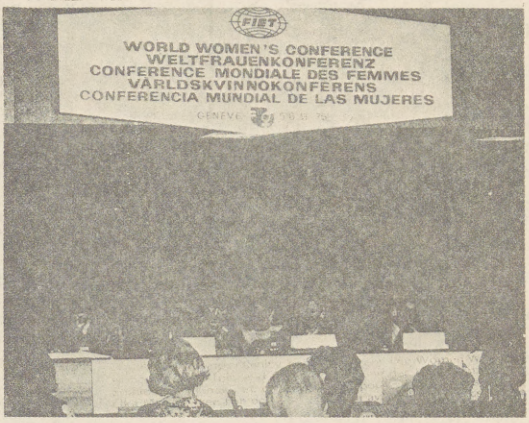


FIET adopts program for women's rights

REPRESENTING more than two million union members in 31 countries, delegates to the FIET World Women's Conference recently hammered out a program to gain economic and social equality for men and women.

The FIET delegates especially urged affiliates to strive for these key rights: equal rights for general education and vocational training; employment rights, including access to equal pay, promotional opportunities, and fair taxation; family planning; and maternity protection.

Norma Steill, assistant to the International director of organization, represented RCIA at the conference. She chaired one session and addressed another on "Equal Rights and Equal Opportunities of Salaried Women of North America." ■



Norma Steill (second from right) was RCIA's delegate to the FIET World Women's Conference.

"The Consumer Association of Canada has reacted strongly, alerting Canadian consumers to potential hazards of automated checkouts."

corporate affairs minister, Andre Ouellet, hasn't been totally encouraging. His reply to the CAC request has been that he needs "a good deal more evidence to support the claim that the system is detrimental to consumers."

The minister said that consumers are doing themselves a disservice in demanding that the government do everything for them. "There's some minimum things that the consumer should do. They should take some effort for themselves. And the effort to look up at a shelf to find a price rather than look at the can, is not such a big effort."

Were that all that's at stake in removing prices from packages, I could easily go along with Mr. Ouellet. Unfortunately the implications of removing the price from products are much more serious.

It has been suggested that consumers can use a grease pencil to mark their prices on products as they place them in the shopping cart. This would at least double the shopping time.

According to Maryon Brechin, past president of the CAC, consumers must react now while the system is still in experimental stages.

If you want to register your concern, write to the minister of consumer and corporate affairs, Andre Ouellet. All the major chains are exploring automated front-end systems and by the late 1970's, electronic checkouts will be the norm, not the exception, in Canadian supermarkets. ■

"Two Revolutions"

"Two Revolutions" is the title of a slide presentation prepared by the Retail Clerks International Association to inform our 700,000 members about what the impact of the computerized checkstand will be in the food industry in particular and the retail industry in general.

We attach for the use of the committee a copy of the script of the presentation.

"Two Revolutions"

(An RCIA Slide Presentation)

Video	*Audio*
1. All black slide	(No Audio).
2. Two revolutions	*Music: Up full to end*—The consumer and labor movements are being whipsawed by two radical developments—two revolutions—occurring in the supermarket industry.
3. UPC adoption	First was industry-wide adoption of the Universal Product Code (UPC).
4. UPC	UPC looks like this and it's already affixed to nearly 70 percent of the items in the average supermarket.
5. Computerized checkstand	Second was creation of the computerized checkstand and its installation in the stores. Because of these two dramatic developments, industry spokesmen are making this prediction:
6. Prediction	"In the next 5 years, the supermarket industry will change from a labor-intensive industry to a capital-intensive industry."
7. The threat	We're here to talk about "the threat" and its social and economic implications for the consumer and for the labor movement.
8. Socio-Eco.	
9. For the consumer.	
10. For labor.	
11. Kroger store	The magnitude of the change became obvious following a seven month test at this Kroger store near Cincinnati, Ohio.
12. Checkstand	If you had walked into Kroger's in July, 1972, you would have seen this.
13. Clerk at scanner	These revolutionary machines are the reason a committee of grocery industry executives worked for approximately 2½ years to develop a Universal Product Code for the North American grocery industry.
14. Ad hoc committee	We will explain what these men set out to do, what they accomplished and what remains to be done. We will also outline what these developments mean to grocery retailers, wholesalers, manufacturers, workers and consumers.
15. 1932	Even though the 1972 Kroger experiment is a focal point in UPC development, feasibility research was carried out as early as 1932, more than 40 years ago, and was published as a thesis by Wallace Flint.
16. 1956	Almost 20 years ago—in 1956—initial experiments were undertaken by the Sylvania Corporation at the Stop and Shop chain of New England.
17. 1966–69	By 1966, SCAN Systems were developed. By 1969, active discussions on a universal product code were initiated among trade groups.

"Two Revolutions"—Continued

Video	*Audio*
18. 1970	1970 saw increased use of computer-based inventory management, development and testing of electronic cash registers and formation of the Ad Hoc Grocery Committee, which later invented the UPC symbol.
19. North America	By 1974, store tests were conducted or were being planned in many geographically disbursed areas: Alaska, California, Maryland, New Jersey, Ohio, Texas, and Montreal, Canada.
20. Set Out To Do?	What did these grocery industry executives set out to do? They conceived a radical plan to redesign the whole food pricing and distribution system in the United States and Canada.
21. Accomplished?	What have they accomplished? At an admitted cost of more than $50 million, they have invented a symbol, called the Universal Product Code, and they have designed computerized equipment to read this symbol.
22. UPC on packages	The enlarged symbol looks like this on a package. It can be as small as a postage stamp. It will produce 10 trillion, individual, distinct, machine-readable numbers. UPC can be affixed to almost any kind of merchandise and still be readable, whether the item comes in a bag, bottle, box, can, jar, sack, tube, cellophane wrapper or aluminum dish.
Sound: Clicker Under For.	
23. Repeat slide 13 (clerk at scanner).	Each checkstand will be equipped with an electronic scanner. The checker will simply pull a UPC-marked product across the scanner. In a millisecond, the scanner will translate the UPC bar symbol into a number and will transmit that number to the computer.
24. Display screen	The product price will be "looked up" by the computer. That price will then be flashed back to the register. At the same time, a description of the product and its price will be visually displayed to the customer and checker. That same information will be printed on the customer's cash register tape.
Sound: Clicker Out.	
25. Remains to be done	What remains to be done? The industry is now engaged in a massive public relations effort to "sell" the idea to the consumer and to "sell" the idea to the clerks in the store. Isn't this late in the day? Of course it is, but it's true to industry form. In more than 10 years since planning of these revolutionary developments started, no consumer group nor labor official has ever been asked to participate in any significant discussion about the revolutions ahead.
26. "Sold" shopper	By 1973, the industry had adopted a calloused, "public-be-damned" attitude toward both consumer and labor. The industry wanted to identify the fears of its unwitting victims so it could overcome any problems through use of slick propaganda and soft sell. The industry's big PR ploy for the consumer was to say: "Why we'll give you grease pencils so you can mark prices yourselves." On the PR equivalency scale, that ranks right alongside "Let 'em eat cake." Here are other PR tricks employed by the industry.

"Two Revolutions"—Continued

Video	*Audio*
27. "Test" label	Try to calm fears by labeling everything as a "test" which should be over in 6 to 8 months.
28. Consumer committees	Form company-oriented "consumer advisory committees," whose advice they never take.
29. Literature-Demos	In addition, the industry has given out glossy multicolored literature and held open houses for the press and the consumer to further "sell" the idea.
30. Three bar graph	"Test" is hardly an adequate word for something in which the food industry had already invested $50 million by 1974. An additional $80 million in 1975 will be spent on development of the automated store. It is estimated the industry will spend another $3 billion.
31. New store	Other signs that these developments are permanent are also obvious. For example, many of newly built stores equipped with at least 10 checkstands, designed to generate a fantastic $300,000 per week.
32. Equipment payoff	Equipment for 10 checkstands would cost approximately $240,000. If the store made only a modest 1 percent additional profit on the food dollar as a result of the new equipment, the entire investment would be completely paid off in less than 19 months.
33. 550 percent	In 10 years, the profit on the original investment would be an unbelievable 550 percent—or 55 percent per year.
34. Guinea pig	Consumer reaction is becoming more and more intense, as this handbill distributed by a Maryland consumer group at a Giant Supermarket will attest. While the industry is obviously going to rack up fantastic profits, the consumer never hears talk about lower prices. Consumer groups advise the industry they want prices left on: The advice is ignored. Open houses to demonstrate new equipment at Giant turned into confrontations between consumers and industry.
35. "Sold" clerk	Meanwhile, is the clerk in the store "sold" on the new automation? The industry would have you believe so. After all, the industry keeps telling clerks this is only a "test." On top of that, the manager says: "Look. Try it. You'll like it. You won't work so hard. You won't have to read ads or remember prices." He doesn't say new automated stores are temporarily overstaffed by 20 percent to make things look easier and more attractive.
36. Old Giant store	Clerks realize some developments for the future are clear. Smaller stores will be phased out because they simply won't accommodate to new developments. Larger—but many fewer—super stores will replace them, simply because big stores are more profitable.
37. New Giant store	New stores will require fewer clerks per square foot than old ones. Contract language may forbid the discharge of employees because of technological change, but the employer's clear intention is to reduce the work force by not replacing people as they leave. People won't lose jobs. Jobs will just disappear.

"Two Revolutions"—Continued

Video	*Audio*
38. Possible benefits?	Okay, we've talked about the basic concepts. Now, let's discuss the potential benefits of the system, as seen by the food industry, and evaluate what the industry is really saying.
39. Manufacturer	At the manufacturer's level, the food industry blandly says only limited benefits are expected in four areas: marketing information, coupon control, prepricing and less out-of-stocks.
40. More retail control	But what the industry is failing to say is that, with more sales information at its disposal, the retailer will have increased power over the manufacturer's plans since industry inventories can be carefully controlled.
41. Small manufacturer	Food retailing depends heavily on the manufacturer's marketing techniques. New, computer-provided information could lead to more profitable shelf allocation in food stores. It could also lead to a vicious struggle over who gets shelf space. The smaller manufacturer might have a harder time since the retailer can now point to a printout and show an item is not moving. Unfortunately, we'll probably have a new battle of salesmen maneuvering for shelf space, thus adding to the heat of negotiations over "clerks work" clauses.
42. Additional production costs.	Most important, application of UPC requires additional production costs for the manufacturer. Obviously, larger, more profitable manufacturers can adjust more easily to printing symbols on their products.
43. Graph for 1966	This prospect would not be so frightening were it not for the fact that in 1966 there were 32,500 food manufacturing firms but the largest 100 firms took 71 percent of the profits.
44. 32,500 to 26,800	By 1972, the total number of firms declined to 26,800. Almost 6,000 firms went out of business and were not replaced over a period of 6 years.
45. Warehouse (overall)	The Universal Product Code will appear not only on each individual item in a food store; it will also appear on every carton as it comes into the warehouse. Therefore, one of the most dramatic effects of UPC and scanning will be felt by the labor force working in the warehouse. There will be considerable administrative cost reduction; general improvement in warehouse operations will occur; and there will be huge layoffs in receiving, storage and selection.
46. Graph of ratio	Add all these factors together, and you come up with a staggering conclusion for those employed in a food warehouse. Using these new methods, 1 worker will be able to do the work of 3½ people.
47. Checker	At the retail level, the major employer benefit is improved labor productivity. These devices are considerably faster than conventional cash registers, 60 to 70 percent faster.
48. X'ed checkers	This is the hard fact: In the seven month test conducted by Kroger, front-end productivity increased by 44 percent at a time Kroger sales were increasing by nine percent. Put very bluntly, the number of employees on the front end could be cut in half.

"Two Revolutions"—Continued

Video	*Audio*
49. Price-reprice-reorder ----	What happens in the back room? Since cutting and marking could be unnecessary, pricing and repricing would no longer be needed. In addition, reorder labor would also be unnecessary because the information stored in the computer's memory bank will make reordering automatic.
50. 45 percent cut----------	At least 45 percent of the stocking and reordering labor could be eliminated.
51. Training----------	Checker training time will be sharply reduced. The computerized checkstand is so simple checkers trainees can learn the system in less than 6 hours.
52. Administration----------	Labor to prepare administrative reports will also be drastically reduced because more store reports will be automatically produced by the computer.
53. Cropped paycheck---------	Expect the obvious argument from employers at contract time: Since jobs have become so simple, wage rates should fall. In other words, labor will be refused its fair share of the benefits of automation.
54. Faster checkout----------	About those so-called benefits to the consumer. Less checkout time is possible, but there is no guarantee supermarkets won't substantially reduce number of checkout lanes and make consumers wait just as long.
55. Improved accuracy--------	Computerized checkstands will produce fewer errors—unless the wrong information is fed to the computer or the computer goes haywire. You could wind up paying 51 cents for an item that is priced 43 cents on the shelf . . . all because someone at chain headquarters or in the store raised the price between the time the item was taken from the shelf and the time it got to the checkout counter. This is already happening in "test" stores.
56. Lower Prices (?)---------	Since UPC can be read by the optical scanner, there's no need to go through the process of price marking each item. By just putting one price on prominent display near the item, there will supposedly be significant labor savings passed along to the consumer.
57. Clerk/customer----------	Supermarkets offer no guarantee they will share savings with the consumer. To make matters worse, unless the consumer has a superb memory, he or she has little defense against instant price changes. Items slide across the scanner so fast the shopper has no time to match the product with the price flashed on the visual terminal. The human eyeball simply can't compete with the computer.
58. Messy shelf----------	There's also no guarantee the supermarket can keep the tag on the shelf accurate. In fact, retail clerks know best what a bad reputation the industry has for maintaining accurate shelf markings.
59. Sales receipt----------	Comparison shopping will be virtually impossible. The shopper will have to rely on an inadequate sales receipt produced by the computer.

"Two Revolutions"—Continued

Video	*Audio*
60. IBM receipt	However, this type receipt will not be available on all systems. The receipt can only help the consumer if the brand name, the size and the quantity of the product are listed for each purchase, which they are not—even on the best receipt currently available.
61. Fresher perishables (?)	The food industry claims more efficient handling will allow perishable items to be fresher when sold. More produce will be prepackaged, making it hard for the consumer to determine how fresh the item might be. The consumer will have to depend on what he or she can see and feel through a plastic wrapper.
62. Check cashing	The computer can okay personal or payroll checks in seconds. But how will this information be used? Consumer groups are upset at the availability of confidential personal information which can be stored and transmitted through the whole retail computer system. In addition, tapes could be stored to indicate specific buying patterns in relation to size of order, credit reliability and other criteria. Vital information about you could be sold to credit bureaus or direct mail firms.
63. Timetable	As early as 1972, RCIA started reviewing the time table for adoption of UPC. The industry expected to have approximately 75 percent of all items UPC-marked and to feel the benefits of automation by mid-1975. It is actually considerably ahead of schedule in many areas.
64. Advocate headlines	Throughout 1973 and 1974, RCIA's official magazine, the Advocate, ran news articles to inform our members on the effects of automation. Early estimates of man-hour reduction ranged from 20 to 30 percent.
65. Wipeout	These figures were far too low. The figure is more like a 60-percent labor wipeout in the next 5 years.
66. Inform/protect	From a social and economic standpoint, what is the position of RCIA? We believe we have an obligation to our members and their families, some 2½ million people. Our members in the food industry will feel a direct effect on their jobs and their futures.
67. Macy	But our members in the entire retail complex can also be affected, not just food.
68. Sears	Any retail soft goods giant can tell his suppliers tomorrow to start adding a UPC–type code to merchandise.
69. Korvette	And we can witness the same kind of revolution that is imminent in the food industry.
70. RCIA members are consumers too.	But, all our members and their families are consumers, too. We need to protect them and their interests as part of the consuming public; and we must also protect them against loss of jobs.

"Two Revolutions"—Continued

Video	*Audio*
71. Exact words	In this effort, contract language has been developed to insure: protection of bargaining unit work; retraining if that becomes necessary; job transfers; reasonable notice to the union in the event technological change is contemplated; negotiation over the impact of technological change; arbitration as a last resort only when both parties agree; inoperation of the no-strike, no-lockout provision of a contract if the parties fail to submit to arbitration and the employer moves ahead with technological changes unilaterally.
72. RCIA program	RCIA has initiated an action program among all local unions to:
73. Awareness	One: Work with the Consumer Federation of America and all other consumer groups to make the public aware of the problems associated with the UPC.
74. Legislation	Two: Assist consumer groups to introduce legislation forbidding the removal of prices from consumer commodities.
75. Key questions	The food industry has not been honest with consumers, workers, or legislators. We believe there are a number of key questions which must be answered to the satisfaction of these concerned groups. RCIA would like to know:
76. Increased automation	Will increased automation reduce food costs to the public?
77. Prices on packages	How much will the necessity of leaving prices on packages reduce expected return from automation?
78. Other innovations	What other innovations are under way which depend heavily on the lack of a price on the individual package?
79. Small processor	Will the application of the UPC symbol sharply raise the cost of operation to the small processor and the price of the product to the small grocer?
80. Laser safety	What is the safety margin in the long-run use of a laser-type scanning system?
81. Potential danger	What is the potential danger of a 10-digit code controlling a total industry employing 7 or 8 million people and commanding $179 billion in annual sales?
82. What recourse	If UPC were adopted without the price on the package, what recourse would the consumer have if he or she were dissatisfied with any part of the new method of operation after the industry had already invested billions of dollars in the new automated equipment?
83. Packaging mockery	Wouldn't it make a mockery of the "Truth in Packaging Law" if UPC were used without a price on the product, since the consumer would then have a description of the contents but no price on the item?

"Two Revolutions"—Continued

Video	*Audio*
84. If the system fails	Most importantly, who is going to pay for the venture if the whole system fails after a large investment?
85. All black slide	Who is going to pay? The answer is clear:
86. YOU	You. You will pay . . .
87. Exact words	*Music: Under for:* As a worker. As a consumer.
88. RCIA credit	*Music: Up full to end:* This has been a production of the Retail Clerks International Association.
89. All black slide.	

A Housewife Speaks

Ann Darrow is a housewife who lives in Conesus, New York. When the Joint Assembly-Senate Consumer Affairs Committee held a hearing on mandatory price-marking legislation last October 20, she was on hand to testify.

She testified so eloquently on behalf of consumers, on behalf of senior citizens, on behalf of the mathematically illiterate that we submit a copy of her testimony for the record of this subcommittee.

Statement by Ann Darrow, Housewife

Senator Pisani, members of the committee, thank you for giving a housewife the opportunity to express her views on what, at first glance, must appear to be a very complex and very trying economic issue.

Actually, I don't think it's very complex at all. In fact, it is so simple that I am rather amazed that anyone gets very excited about it at all. When you reduce it to its simplest terms, what the supermarket industry is trying to do in the State of New York and across the country is to take away one of the fundamental rights of the American shopper: and that right is the right to know. I don't want to hear any of that public relations bunk about what I call the try-it-you'll-like-it syndrome.

Remember the nuclear reactors? They told us: "Try it. You'll like it." We tried it, and now we don't like it—several generations later. Those nuclear reactors are leaking all over the place, and we're really baffled about what to do.

Remember the aerosol can? They told us: "Try it. You'll like it." So we did. And what a disaster that has been. There now is a big suspicion that the aerosol can is lousing up the ozone. In fact, enough people are so shook up that sales of products in aerosol cans have plummeted drastically. In fact, the only apparent bonus we got out of the aerosol can is the fact that Robert Albanalph, its inventor, made so much money on us poor suckers that he was able to donate $2,000,000 to Reelect Richard Nixon. And I don't regard that as much of a bonus and I want to make that perfectly clear.

So now here comes the supermarket, and they tell us: "Try it. You'll like it." Their proposal to take the prices off the packages is very inconsiderate. They want to take away our fundamental right to know. And frankly, I'm not prepared to give that up.

Shopping today is bad news in the first place. If you take away our right to know, you might as well legalize pickpockets.

Is Bob Wegman unaware? Doesn't he realize who a shopper is? Doesn't he go into his stores and look around? Let me describe a shopper for him. She's got a three-year-old hanging on one hand, and she's pushing a shopping cart with the other. Clutched somewhere is a list of things she wants to buy. But she is working out of very limited resources caused to a large extent by the fantastic inflationary spiral in food prices. So here comes the supermarket industry telling her that she doesn't need the prices on the packages. This is absolutely crazy. By the way, while the shopper is going through this maddening experience, that three-year-old she is dragging around is jerking at her hand, and with his other hand he is rearranging the shelf markers within his reach and re-stocking the shelves to suit himself. So when Wegman or anybody else tells you that you can rely on shelf prices, it almost makes you want to scream.

There's another kind of shopper, too. He or she is old. They can't bend or squat to read the labels on the lower shelves. They simply must have the prices on the

packages in order to make sense out of what they're buying. To them, shopping is a great social experience. It's one of their chances to get out and mingle with other folks. But if you take the prices off the packages, you're going to cause what the psychiatric types call "disorientation." You're going to upset them at a point in their life when they least need upsetting. What should be a pleasant social interlude in the course of a week is going to turn into a nightmare.

Finally, there is one other group that is going to suffer seriously if we let the supermarkets take the prices off the packages. I call to your attention this clipping from The Washington Star of last July 24.

You can read the entire article at your leisure, but let me read aloud now the first three paragraphs from the article:

"Mathematic illiteracy is rampant in America, if you believe the newly issued results of a nationwide testing program. Most 17-year olds and young adults in the 26 to 35 year old range can't figure what is the most economical size of a product on a supermarket shelf, can't compute accurately a taxi fare or read a federal income tax table, and can't calculate the ingredients in many recipes. Illiteracy in basic math ability, according to the National Assessment of Educational Progress, means that many Americans are unable to operate in the complex and confusing market place: The consumer cannot afford to rely upon advertisements or computerized statements. Yet it appears that many Americans are doing just that!"

In the face of all this, the supermarket industry wants to take the prices off packages. For shame. Things are tough enough already. Who needs this? There must be some better way to make a dollar.

On behalf of the American shopper who is already plagued with too many problems, on behalf of our senior citizens, on behalf of the mathematically illiterate, I plead with you, Senator Pisani, and members of the committee: Keep the prices on the packages.

[From the Washington Star, July 24, 1975]

22 Is . . . Uh, 5? 22? Uh . . .

(By John Matthews)

Question. If there are 300 calories in nine ounces of a certain food, how many calories are there in a three-ounce portion of that food?

Answer. One-hundred calories. Even this simple problem stumped 30 percent of the 17-year-olds and 20 percent of the adults.

Mathematics illiteracy is rampant in America, if you believe the newly issued results of a nationwide testing program.

Most 17-year-olds and young adults in the 26-to-35-year-old range can't figure what is the most economical size of a product on a supermarket shelf, can't compute accurately a taxi fare or read a federal income-tax table, and can't calculate ingredients in many recipes.

Illiteracy in basic math ability, according to the National Assessment of Educational Progress, means that many Americans are unable to operate in the complex and confusing marketplace: "The consumer cannot afford to rely upon advertisements or computerized statements. Yet it appears that many Americans are doing just that."

Testing a nationwide representative sample of 34,000 17-year-olds and 4,200 young adults during the 1972–73 school year, the National Assessment found that most people have trouble with fractions and percentages—two of the most important skills needed for making buying decisions.

Women, who are assumed to make most of the family's purchase decisions, generally perform worse than men. Young adults, however, do better than the 17-year-olds, probably because experience in the marketplace has forced them to develop the math skills they failed to acquire in school.

Here are some sample test questions—and answers—involving consumer problems and money. Take the test and gauge your own mathematics literacy.

A housewife will pay the lowest price per ounce for rice if she buys it at the store which offers: (a) 12 ounces for 40 cents, (b) 14 ounces for 45 cents, (c) 1 pound, 12 ounces for 85 cents, (d) 2 pounds for 99 cents.

The correct answer is (c): 1 pound 12 ounces for 85 cents. Only 34 percent of the 17-year-olds and 39 percent of the young adults got it right. Most answers

said the biggest box was the cheapest, probably because the cost per ounce was not figured out to three decimal places: 3.03 cents per ounce for the 1-pound, 12-ounce box, but 3.09 cents per ounce for the 2-pound box.

A new automobile can be bought for cash for $2,850 or on credit with a down payment of $400 and $80 a month for three years. How much more would a person pay by buying on credit rather than by buying the car for cash?

The correct answer is that the time payment costs $430 more than the cash purchase. On this question the national sample did better, with 56 percent of the 17-year-olds getting it right and 68 percent of the young adults.

If a city's property tax is $29.87 per $1,000 of assessed value, the tax on property assessed at $14,900 would be closest to which amount? (a) $400, (b) $420, (c) $450, (d) $470.

The correct answer is (c): $450. Forty percent of the 17-year-olds and 56 of the young adults gave the right answer.

A parking lot charges 35 cents for the first hour and 25 cents for each additional hour or fraction of an hour. For a car parked from 10:45 in the morning until 3:05 in the afternoon, how much money should be charged?

The correct answer is $1.35. Forty-seven percent of the 17-year-olds and 57 percent of the young adults gave the correct response.

Television sets are on sale at two stores. One offers a 10-percent discount while the other offers 15 percent. What is the difference in the sale price of the two stores of a TV set that is regularly priced at $100?

The correct answer is $5, the difference between the $90, the 10-percent discount, and $85, the 15-percent discount.

Some questions and answers dealing with household problems requiring basic math skills follow:

A recipe for punch calls for equal amounts of lemonade, limeade, orange juice, and ginger ale. How many PINTS of ginger ale would be needed in order to make two gallons of this punch?

The answer is four pints—which only 30 percent of the 17-year-olds and 38 percent of the young adults answered correctly.

A turkey is to be cooked 20 minutes for each pound. If a turkey weighing 12½ pounds is to be done by 5 p.m., what time should it be put in to cook?

The answer, 12:50, was given by 35 percent of the 17-year-olds and 42 percent of the young adults.

A gallon of asphalt paint will cover about 250 square feet of surface area. This paint is sold in gallon cans only. How many gallon cans are needed to paint a driveway 48 feet long and 10 feet wide?

The answer is two cans, or about two gallons. Forty-one percent of the 17-year-olds and 61 percent of the young adults answered correctly.

If there are 300 calories in nine ounces of a certain food, how many calories are there in a three-ounce portion of that food?

The answer 100 calories. Even this simple problem stumped 30 percent of the 17-year-olds and 20 percent of the adults.

Some problems using the concepts or average and percent in the tests were:

Last summer Todd earned $205, Charlotte earned $562, and Dale earned $400. What is the average of their summer incomes?

The answer is $389. Sixty-six percent of the 17-year-olds and 69 percent of the young adults knew it.

Candidaate A received 70 percent of the votes cast in an election. If 4,200 votes are cast in the election, how many votes did he receive?

The answer is 2,940 votes. Forty-one percent of the 17-year-olds and 62 percent of the adults got it right.

In a school election with three candidates, Joe received 120 votes, Mary received 50 votes, and George received 30 votes. What percent of the total number of votes did Joe receive?

The answer is 60 percent. A majority of both the adults and 17-year-olds—53 and 55 percent, respectively—flunked that question.

Other results in the test showed that only 10 percent of 17-year-olds and 20 percent of the adults could figure correctly a taxi fare; that balancing a checkbook—tested through an exercise administered directly to small groups—stumped 99 percent of the inexperienced teenagers and, surprisingly, 84 percent of the adults; that only 14 percent of the teenagers and 35 percent of the adults could correctly calculate the unit cost for a common utility bill; that 45 percent of the adults could not figure the tax due for a married couple with three exemptions using the federal income tax table.

To Roy H. Forbes, director of the National Assessment, the blame for deficiencies can't be laid totally to the schools: "There must be a bridge built between the school and family, with parents sharing the responsibility in helping youths relate math to real life. . . . When was the last time you took your child to the store and explained how to measure for curtains or select just enough wood for a fence? A need of basic math is with us daily, and it is the responsibility of parents, along with the schools, to help every child understand this."

The federally funded National Assessment, which has been conducting tests on nationwide samples of students and young adults in a variety of subjects for the last decade, breaks down samples in broad areas. As it has found with other subjects, people living in the Southeast, blacks, city dwellers and students and young adults whose parents did not complete high school do worse than the national average.

Forbes calls those differences "disheartening, since, in many cases, those who have less money to spend are also those lacking skills to manage it."

Senior Citizens and Item Pricing

Removal of prices on packages would have a very serious effect on old adults. Ms. Mary A. Rollin, director of the Northeast Wisconsin Information and Referral, gave extremely eloquent testimony about the plight of senior citizens when she testified recently before the Wisconsin Senate Committee on Consumer Affairs. She said it so well that we offer her remarks for inclusion in the record.

Testimony Presented by Mary Rollin, Director, Northeast Wisconsin Information and Referral, at the Public Hearings on 1975 Assembly Bill 507—Given August 18, 1975, in Green Bay, Wisconsin

Section 2. 100.28 Products must bear price information

(1) Every product or commodity with electronic coded symbols which is offered for public sale upon open shelves in any permanent, indoor, retail grocery establishment shall bear the true selling price thereon in U.S. Dollars and Arabic numbers. The price shall be readable and legible.

The key phrase in the above: "The price shall be readable and legible."

Northeast Wisconsin Information and Referral (NEWIR) serves older adults in nine counties: Brown, Door, Kewaunee, Manitowoc, Marinette, Menominee, Oconto, Shawano, and Sheboygan. The primary mission of NEWIR is to assist older adults in any way possible in order that they may continue to live in their own homes with independence and dignity, and continue to be active members of the communities in which they live.

A pleasant visit to the grocery store is necessary if older adults are to continue to live in their own homes with independence and dignity. Readable, legible price listings on purchase items are essential if older adults visits to the grocery store are to be pleasant occasions and if they are to avoid psychological stress.

Stress can be defined as an inbalance between an environmental demand and the response capability of the individual. It is common knowledge that the aging process includes deteriorating vision, slower reactions to stimulus and a lessening of short term memory capabilities. Without readable and legible price listings on their purchases many older adults would be subject to visual stress as they attempt to read the cash register, their slower reactions during this speedy process would prohibit them from checking each item, and their deteriorating short term memory would make it impossible for them to remember the prices as listed on the shelves.

During these inflationary times it is becoming increasingly difficult for many older adults to accommodate their fixed incomes to the rapidly accelerating cost of living. It is increasingly important, therefore, that they can easily keep track of their expenditures as they are doing their shopping and choose their purchases according to their carefully prepared budgets.

Without prices, the older adults' shopping experience would be one of considerable psychological stress rather than the pleasant experience it can be if prices are legibly stamped on each item so that they can leisurely check their purchases when they return to their homes. The response capabilities of older adults are definitely not equal to the needless environmental demands that non-readable and non-legible price markings would impose upon them.

For many older adults the visit to the grocery store is an important social occasion. Families are often scattered; death decreases their circle of friends. A shopping trip can be an opportunity to talk with people, be an active member of society. Socialization and communication are vital if older adults are to be active members of the communities in which they live.

Readable and legible prices marked on each purchase item will ensure that the older adults shopping trips will not be occasions of stress, isolation and possibly despair, but pleasant opportunities to mingle, independently and with dignity, with their fellow members of society.

What Does Item Pricing Cost?

One more brief item. Consumers understand that they make trade-offs to win a point.

Consumers have actively campaigned for unit pricing and have won it by law in many places and by industry cooperation in others. They realize there is a cost involved, but they are perfectly willing to pay it.

Consumers recognize that nutritional labeling is a cost item, and they have been willing to pay whatever that cost might be.

In the case of item pricing, this is something they already have, something that will be taken away from them if item prices are removed. They are extremely unwilling to give up something that they already enjoy.

Beyond that, the argument of the industry is that it will have to give up a considerable amount of savings that could be realized if shelf prices were maintained and item prices were eliminated because the scanner can now generate the prices and display them both at the checkout terminal and on the register tape.

The industry uses all sorts of claims as to what that savings to them might be; or as the industry puts it, it will cost the consumer a portion of the savings the customer might otherwise realize if prices were removed.

Of the total 100 percent savings that the industry might realize, how much of that would be lost if prices were maintained on the packages? The industry predictions vary all over the lot, up to as much as 30 percent of the savings. From scanning the trade press regularly, we would judge that most estimates range about 22 percent.

From talking to our local union leaders, the Retail Clerks International Association's "guesstimate" would be about 15 percent.

It was therefore with real interest that we found an organization which had made a careful study of the whole issue and came up with a scientific approach that we find responsible and reasonable.

It must be borne in mind that if item prices were removed the entire stocking force in the store would not be removed. There would still have to be a considerable work force to keep shelves stocked, to move merchandise from the truck to the back room to the shelves and for other necessary chores that stockmen perform in stores.

Garvey-Labelmatic, a leading manufacturer of price-marking equipment located in St. Louis, has come up with a carefully researched study which demonstrates that the cost for item pricing comes down to less than a penny per average customer transaction. Such a figure would permit the store to continue putting the price on the product and still retain up to 93 percent of the savings projected for UPC.

A copy of the complete study made by Garvey-Labelmatic is attached for the record.

News Release—Garvey-Labelmatic Report Says Marking UPC Goods With With Human-Readable Price Can Cost as Little as $47.34 a Week

St. Louis, Mo.—May 2, 1975—Garvey-Labelmatic, a Consolidated Foods Company, has released a reseach report which challenges what it calls the popular notions of how much it costs to continue to price mark UPC-labeled food store merchandise in the conventional manner.

The company, a leading manufacturer of price-marking equipment, documents its case with its own research and recently published industry figures. The results, say the authors, suggest that a typical $60,000 a week supermarket might expect to pay as little as $47.34 a week to "duplicate mark" UPC-labeled goods with a price the customer can read. This is in sharp contrast, they emphasize, to the $200 or so per week claimed by some sources.

In the same analylsis, the report states that the $47.34 cost would resolve down to less than a penny per average customer transaction. Such a figure would permit the store, says the report, to continue putting prices on the product and still retain up to 93 percent of the savings projected for UPC. Garvey-Labelmatic suggests that this is a very low and reasonable cost for maintaining customer good will and satisfying various consumer and other special interest groups.

A copy of the report can be obtained on request to Shirley Friend, Garvey-Labelmatic, 11550 Adie Road, Maryland Heights, Missouri 63043.

A NEW LOOK AT THE COST OF MARKING PRODUCTS WITH A PRICE YOUR CUSTOMER CAN READ

The advent of UPC promises many advantages to the food store industry. Among them, according to some sources, would be the elimination of conventional price marking. However, the elimination of such price marking raises two major questions:

(1) Would doing away with conventional price marking of UPC-labeled merchandise actually render the large dollar savings now being widely anticipated?

(2) Can consumer acceptance of "non-priced" goods be fully achieved without suffering loss of customer good will, drop in sales volume and store profits, as well as other undesirable side effects?

BOTH CUSTOMER SATISFACTION AND LARGE UPC SAVINGS ARE POSSIBLE

The proposed elimination of conventional price marking of products is already generating a rising tide of protest among shoppers, consumer interest groups, unions, and municipal, state and federal legislators. Popular industry figures suggest that elimination of conventional price marking would account for 25 percent or so of the projected savings that a store might expect from UPC. Assuming that this is true, the store could continue to satisfy customers and special interest groups with conventional price marking and still retain the lion's share of UPC savings—75 percent.

CLOSER SCRUTINY AND ANALYSIS OF THE COSTS OF CONVENTIONAL PRICE MARKING

UPC itself is not the issue here. It offers many advantages in areas of inventory control, movement studies, reordering procedures, efficiency at the front end, etc., and attendant cost savings. Clearly, these UPC advantages are obvious; the general adoption of UPC inevitable. With the tremendous investment required for UPC equipment and systems operation, it is only natural that stores would look to every possible savings to be gained from UPC. We believe, however, that closer scrutiny and careful analysis of present price marking reveal that this cost is far less than some sources have stated. Our belief is based on our own careful work—time-cost studies of typical price marking operations.

LARGER SAVINGS PROJECTED

The results obtained suggest that the cost of manual price marking may actually be so low that a UPC store could continue to apply "human-readable" price marking to products and retain up to 93 percent of projected UPC savings.

LESS THAN A PENNY PER AVERAGE TRANSACTION

If the cost of manual price marking is a concern, then we feel there is little cause for that concern, since our study shows that store price marking appears to cost so little as to be negligible—actually less than a penny per average customer transaction.

POPULAR FIGURES

The trade publication, CHAIN STORE AGE Supermarket Edition for March, 1975, carried an article noting that the Southwest Council of Retail Clerks estimated that it costs a store doing $3-million a year in sales about $225 a week to price mark products at the store. CHANGING TIMES, the KIPLINGER Magazine, in its February 1975 issue, used the following figures (apparently based on UPC-Council figures given in October, 1974): For a store selling $60,000 a week ($3-million a year), total UPC savings might amount to $35,000 a year. Do-

ing away with item pricing (and the re-pricing of items already on the shelf), could save $8,000 a year, or about 25 percent of the total projected savings.

Dividing Kiplinger's figures by 52, gives a projected savings of $153 a week. Under this estimate, a store continuing to price mark would still retain the 75 percent of UPC savings previously noted. To us, the point, as we have emphasized, seems to be that, even if popular figures are used, price marking costs would not destroy the savings offered by UPC. The store would come out well ahead. It is interesting to note that we encountered more than 30 percent variation in popular figures, indicating, perhaps, that further cost study is worthwhile.

AT THE UPC COUNCIL ITSELF, STRONG CONCURRENCE FROM THE CHIEF

As noted, the quoted UPC Council figures were issued in October, 1974. Now consider the remarks of John L. Strubbe, Chairman of the UPC Council. The remarks were made in the trade publication, Supermarketing, for February 1975. Strubbe is directly quoted as follows:

"Removing prices was one of the projected savings that help justify adoption of the symbol in the industry. But its relative importance was not that great overall."

The article continues: "* * * We have done some recalculations. You still get a fine return on your investment even if you have to eliminate savings on price removal."

A 76-PERCENT DIFFERENCE

In contrast to the notion that conventional price marking might be costing a typical $60,00 a week store some $200 or more a week, or less-than-a-penny-per-average-transaction figure would indicate a cost of $47.34 a week, only about 24 percent of the popular $200 figure. Thus we believe that some estimates are off as much as 76 percent.

HOW WE ARRIVED AT OUR FIGURES

Our studies were made of typical supermarket operations of a major grocery chain. We talked with actual store operations personnel. We went into the stores and observed their method of processing. We timed their entire processing operations and the actual price marking time.

In the operations studied, products were brought to the processing area on pallets. One clerk placed the product on conveyors and opened each case. A second clerk marked the product and a third clerk re-palletized the product for distribution in the store by aisle. In some cases, a fourth clerk floated and assisted in any of the above three operations as needed.

Our objective was to determine exactly which portions of the processing time were devoted to price marking. This price marking time included the time necessary to select a price marking tool, to set the tool to the correct price, and to actually price the merchandise.

The time necessary to place the cases on the conveyor, open them and to regroup merchandise onto pallets according to the organization of the store after price marking were carefully studied, but not included as a cost of price marking. Because these steps are an integral part of processing, they will continue to be necessary for preparing UPC–labeled merchandise for store distribution. They are not chargeable to price marking.

PRICE MARKING DOESN'T TAKE MUCH TIME

The results of our study proved quite interesting. With all the procedures that a product goes through from the time that it enters the store until it is ready to be put on the shelf, the time involved in back-room price marking is, on the average, only 5.16 seconds per case. Differentiating between total processing time and average marking time per case is very important. For our figures show that marking time averages about *half* the total processing time for an average case of merchandise. Our figures revealed the following:

Back-room price marking time and total processing time

1. Average units per case	17.54
2. Total processing time per case (seconds)	11.02
3. Average marking time per case (seconds)	5.16

WHY ARE OUR FIGURES SO MUCH LOWER?

We found that price marking costs an average $60,000 a week store only $47.34 a week; less than a penny per average customer transaction. We offer these figures because we focused our research on exactly what labor and materials the store must pay for to take all necessary steps in conventional back-room price marking. Other studies apparently add in labor not necesary for price marking; labor required in handling all merchandise whether or not it is to be conventionally price marked. Since our studies indicate that actual price marking time is so much less (about half the total back-room processing time), it becomes obvious why our figures can be as low as they are.

CRITERIA AND FORMULA

Our studies were based on the following criteria:

1. 101.4 cases per $1,000 sales. (See Appendix I)
2. 5.16 seconds per case price marking time. (See Appendix II)
3. $.0018 cost per second labor at $6.50 per hour (full time including fringes).
4. $.25 per $1,000 sales price-marking equipment and supplies.

The following formula was used to calculate a store's total price marking cost per $1,000 in sales:

$$101.4 \times 5.16 \times \$.0018 + 25¢ = \$1.19 \text{ per } \$1{,}000 \text{ in sales}$$

Thus, a store doing $60,000 total weekly business, with 66.2% [1] grocery distribution ($39,720) would spend $47.34 (39.72x$1.19) in price marking. If the average weekly customer transaction is $6.42 [2] on a customer count of 7,950 [2] the cost per customer is $.006 (47.34÷7,950).

From the above arithmetic, one can assume that the total cost of price marking a $50 order comes to slightly less than a nickel (4.7¢). If you weigh the potential savings against the disadvantages to a customer, it seems difficult to justify the elimination of prices on products.

THE HAPPY CUSTOMER COSTS LESS THAN A PENNY A WEEK

We emphasize again that giving the customer a product with a price she can read can cost less than a penny per average customer transaction. Our studies showed a weekly cost of $47.34 a week for a $60,000 a week store. Such an expenditure is certainly no more than and often far less than the money spent to provide many other customer conveniences and items of store decor, maintenance and routine operation.

Then, from the customer's own viewpoint, readable price on the product will allow her to continue to read the price of any item in her cart; compare price with other brands, other forms of the product and specials; total the prices as she goes without using a crayon to mark goods; compare her purchases directly with previous purchases in the pantry or freezer at home.

YOU CAN'T PUT A PRICE ON GOOD WILL. BUT YOU CAN PUT A READABLE PRICE ON THE PRODUCT

Just what is good will worth? It's hard to measure. But consider what the UPC Council itself has stated:

"After weighing these costs and values, the retailer may decide to maintain duplicate marking or eliminate it. If he chooses the latter course, he is surely going to be extremely sensitive to any indications of customer dissatisfaction, because he simply cannot afford to lose customers and sales volume. For example, the loss of less than 5 percent in sales per week in the $60,000 a week store mentioned above would offset the savings generated by eliminating duplicate marking." [3]

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[1] 42d Annual Report of the Grocery Industry, Progressive Grocer, April 1975, p. 163.
[2] Ibid. P. 161.
[3] Policy statement on item price marking of Uniform Product Code Council, Oct. 11, 1974.

In the final analysis, we believe "human-readable" is good management practice. Because, after all, our customers are human, with human needs and feelings. Marking products with a price they can read is an excellent way to eliminate any possible suspicions, feelings of alienation and accusations. It's good public relations. It's good business.

Appendix I—Price Marking Time Analysis

Store size.—$100,000 per week sales.
Location.—Suburban store in major metro area.
Type of store.—National chain.
Grocery cases received.—

	Cases
From warehouse	4, 700
Direct store deliveries	2, 714
Total	6. 714

Cases per $1,000 of grocery sales.—
(*a*) Grocery sales are $66,200—$100,000 weekly sales÷66.2.[1]
(*b*) 6,714 cases÷66.2 thousand equals 101.4 cases per $1,000 of grocery sales.

Type of marking operations.—Back-room; original pricing at time of receipt (repricing not included). Also excluded were random weight items.

Marking tools used.—Label guns, stick stamps, band stamp.

Test methodology.—Products were processed by the same people who normally do this work, using their normal procedures. Timing the processing and marking operations were accomplished by a person who was not an employee of the chain. Tests were conducted on three non-consecutive days.

Processing was accomplished by three merchandise processing clerks, plus a fourth floating clerk available to help in any phase. They performed the following functions:

1. Removed from pallets and placed them on conveyor (clerk "A").
2. Opened cases (clerk "A").
3. Determined price of product (clerk "B").
4. Selected price marking tool (clerk "B").
5. (Set the price on the tool (clerk "B").
6. Marked the merchandise (clerk "B").
7. Removed the cases from the conveyor (clerk "C").
8. Repalletized the cases for distribution in the store by aisles (clerk "C").

(Actual price marking was considered to include steps 3 through 6.)

APPENDIX II

TIMES RECORDED FOR ACTUAL PRICE MARKING AND TOTAL PROCESSING

	Quantity of cases processed	Total number of items price marked	Total time required for processing	Total time required for price marking	Price marking time as a percentage of the processing time
Test No.:					
1	213	4, 350	0:33. 35	0:15. 33	45
2	23	411	0:03. 53	0:02. 18	52
3	191	2, 731	0:41. 00	0:18. 52	46
Total	427	7, 492	1:18. 28	0:36. 43	47

From the above it was determined that the:
(*a*) Time required to price mark the average case is 5.16 seconds. (0:36 .43÷427).
(*b*) Average number of items per case is: 17.54 (7492÷427).
(*c*) Price marking time averaged about *half* total processing time.

[1] 42d Annual Report of the Grocery Industry, Progressive Grocer, April 1975, p. 163.

THE UNIVERSAL PRODUCT CODE: AND THE HIGH COST AND LONG TASK OF CONVERSION TO IT, FOR MANY MANUFACTURERS

(By Thomas C. Sobczak, Ph. D., Director, Information Processing Waldes Kohinoor Inc.)

"In summary, the onetime cost to convert to the Distribution Code for at least one large inventory, low volume per part manufacturer could reach $1.4 millions if all possible costs were considered."

The distribution code for distributors is an offshoot of the *Universal Product Code* presently being implemented within the Grocery Industry. The concept is being marketed by Distribution Codes, Inc., Washington, D.C. DCI is owned jointly by the Uniform Grocery Product Code Council and the National Association of Wholesalers/Distributors. NAW/D is an association of associations. Each association member is coordinating its activities concerning coding through Distribution Codes, Inc.

At the present time, the Universal Product Code exists under several names:

Name and abbreviation	*Sponsoring distributor association*
National Drug Code—NDC	National Wholesale Druggists.
Health Related Items—HRI	National Wholesale Druggists.
Publication Code—UPC	Council of Publication Distributors.
Alcoholic Beverages—UPC	Wine and Spirits Wholesalers.
Stationery & Business Supplies Code DC.	Business Records Manufacturers Association. National School Supply & Equipment Association. Paper, Stationery & Tablet Manufacturer Association. Wholesale Stationers Associations.
Electrical Supplies—DC	National Association of Electrical Distributors.
Air Conditioning—DC	A/C-Refrigeration Wholesalers.
Plumbing—DC	National Association Plumbing Wholesalers.
Distribution Industries—DC	NIDA/SIDA (National & Southern Industrial Distributors).

UPC is growing continually, under its many different names; therefore most people tend to under-estimate the power of its spreading.

THE DOMINO EFFECT

Figure 1 shows the domino effect on industry as UPC moves from place to place. UPC was developed for the Grocery Industry but since Drugs and Health Related Items are sold in supermarkets, the Food and Drug Administration was convinced (lobbied?) to change the National Drug Code and the Health Related Items Code to the UPC format. Books and Magazines are sold in supermarkets; so the Publications Distributors were next to embrace UPC. Recently the Alcoholic Beverage Commission was convinced to specify the UPC. Outside of New York State, alcoholic beverages are sold in Supermarkets. The trend continues with Stationery and Business Supplies. The logic is the same. In time, everything sold in Supermarkets must be scanned mechanically.

The mass merchandising (Discount) stores are accepting UPC because it exists on products they buy. The Federal Department of Transportation is proposing to modify 49 CFR577, the law controlling manufacturer marking of auto parts. This opens the door to UPC. The code exists in wholesale electrical, air conditioning, refrigeration, and plumbing. UPC goes on and on and on without anyone realizing how quickly it grows or how much it affect their daily lives.

NO BENEFIT TO THE MANUFACTURER

The large inventory, low volume per part manufacturer has a massive problem in conversion to the "Distribution Code" variant of the Universal Product Code. His cost is excessive while his return on investment is customer (distributor) goodwill plus some non-quantifiable savings if he installs in-house scanners in the stockroom.

The first problem is to rationalize the transition from a perfectly good code which your customers are familiar with to an eleven digit, all numeric code where the first six digits identify the manufacturer and the next five digits randomly and non-significantly define the product. This problem is compounded, if the manufacturer sells to the Federal Supply Service, the Defense Supply Agency or the Department of Defense, because they utilize the Federal Stock Number or the National Stock Number. They are required to utilize a uniform system of item identification and nonenclature to describe, classify and number each item included in the Federal Catalog System so that an item of supply is identified by a single stock number.

This is required by Title 10 United States Code, Chapter 145. Assuming most manufacturers will have to operate a dual code to convert to UPC, this means that a minimum of three codes will be effective simultaneously if you sell to the government.

ASSIGNING DISTRIBUTION CODES

Before any operation within the manufactuer's plant is affected, he must decide how he wants to code. Let us assume a manufacturer, such as Waldes Kohinour, has 17,685 separate and distinct parts in his inventory and follows the pamphlet "Guidelines for Establishing Distribution Code (DC) Unique Product Numbers" as recommended by Distribution Codes, Inc.

It is recommended that Waldes should have a code which leaves the first 10,000 numbers blank. The remaining 80,000 numbers divided by 17,685 allows a spacing of four numbers between the numbers we assign (i.e. 1, 6, 11, 16, etc.).

Assuming Waldes wants to group the twenty-nine standard styles of its retaining rings and twenty special styles, testing shows that they cannot assign clean blocks of numbers (i.e. thousands digits) to the part number. We immediately lose anything promised by the DCI pamphlet. The pamphlet was written for small inventory, large volume per part manufacturers. Regardless of this fact, let us assume all items are coded.

At this point all 17,685 items have been assigned a distribution code. We must prepare a cross reference list so that the new numbers can be aligned with the old numbers.

Our costs to this point are:

1. Major meeting of concerned department heads to explain code and establish coding committee $600
2. Cost of coding (including tests for grouping similar styles) 6,000
3. Cost of typing and proofreading 1,800

Quite a bit of detailed proofreading is required to be sure that there are no transpositions in the new non-significant numbers. If we had continued the old system, transpositions would have surfaced immediately. Under the new system, if a transposition is typed into the initial cross reference list, a major problem occurs. You could have a duplicate number. As a check digit would be a twelfth digit, it cannot be considered on human readable labels.

THE DISTRIBUTION CODE LABEL

The next conversion cost encountered is the label for normal packaging. The Distribution Code Label, as specified now, matches the UPC bar code. The film master manufacturers presently charge $25 per film master. As Waldes Kohinoor has 17,685 separate and distinct parts, the film masters of the Distribution Code in Bar Code format will cost $442,125. I have assumed that pieces per package are not considered for DC coding as they are for UPC, for Waldes has 6 package sizes. If the requirement is for total uniqueness within size, Waldes has 106,110 unique numbers whose initial film masters would cost $2,652,750. An additional consideration is that Waldes, to retain its 4 number spacing would need five different manufacturer numbers.)

Waldes presently uses a dozen label types which we prepare as needed in batches ranging from 2 labels for slow movers to 500 for fast movers. To keep our perspective, some 3,500 items are the 20% which controls 80% of the movement. A check with printers capable of printing to the DCI specified parameters indicates that a minimum DC bar coded label printing runs is 5,000 at a cost of $12.00 per lot (low estimate based on volume). This adds $212,220 to our conversion cost.

Based on a review of several drug and grocery manufacturers, we can assume that we will need clerical assistance to maintain masters and labels as well as coordinated issuance of new codes and deletion of displaced items. Using our prior extrapolation, three clerks handling 1,200 fast movers and 4,800 slow movers will be required. This adds $28,080 to our cost, assuming $120 per week salary and 50% fringes.

In summary the segment of conversion costs:

1. Film masters	$442,125
2. Labels	212,220
3. Clerical control	28,080
Subtotal	682,425

100,000 BOXES TO RELABEL

Next we move to the stockroom where Waldes Kohinoor maintains several hundred million parts in packages ranging from 250 pieces to 50,000 pieces. There are packages in boxes, boxes in cartons (shipping containers), and cartons on pallets. All told over 100,000 boxes have to be relabelled. A decision is required. Do we stop shipping for the two weeks it will take to relabel? or do we relabel piecemeal on weekends running the risk of confusion, misshipments, and loss of business? If we shut down for two weeks, we lose approximately $600,000 in billing and several customers who cannot wait for delivery. If we shut down, do we still pay a payroll of $80,000 per week and $42,000 in outlays and $120,000 if competitors ship only 20% of what we cannot.

This segment of conversion costs:

1. Relabelling	$364,000

THE EFFECT ON DATA PROCESSING: THE COST OF LOWERED EFFICIENCY

Now that we are prepared to ship orders using the Distribution Code, let us examine the effect on data processing. Once the new code is decided upon, many decisions have to be made. The key management decision required is "Do we abandon the existing code or do we maintain two codes?". Logic dictates that initially we must keep two codes in order to maintain normal operations. A company can ill afford to confuse its blue collar workers. The learning curve is shallow and of long duration. In time everyone will learn the code. The cost of lowered efficiency cannot be really measured but it exists and is potentially great.

Initially the cross reference table previously prepared has to be programmed so a table look-up routine can identify any new code being input on order forms. As an additional feature the new code must be added to all records and reports to facilitate the transition. At Waldes Kohinoor, 398 programs will have to be modified so that transaction and data records retain two codes and printer formats are expanded for the new code.

Another problem exists, in that, if someone wants to learn what was sold in a particular style, or in a particular metal or finish, the new non-significant Distribtuion Code cannot accommodate this task. This means that at a minimum, in data processing, dual coding is a requirement which cannot be omitted.

In order to provide a continuity of sales history in the new code format all prior records maintained on magnetic files must be modified to identify the new DC code as well as the existing code. This means that every record in your sales history file, at Waldes some 51,600,000, will have to be modified.

NEW COSTS EQUAL SAVINGS

The foregoing are simply programming (software) changes. It is probable that at the same time these modifications are made, equipment (hardware) will be upgraded to "on-line" status to make use of the new code via scanners in the stockroom.

The approach is simple; each item ordered by a customer should be scanned so that the automated data capture reduces inventory, keys a new production requisition if required, generates the daily billing file, updates receivables, etc. While logical, the task is so massive as to be a tangent from this analysis. Suffice it to say that over a three year period new costs equal savings.

The data processing conversion to "DC" costs:

1. Table lookup routine and modified order entry system	$3,000
2. Program modification to expand data records and printer formats	40,000
3. Tests and debugging	15,000
4. New Forms	3,500
5. Scrap and waste paper	2,000
	63,500

No effort has been made to extrapolate increased processing times, system documentation, user documentation, etc. It exists and will cost money but the costs incurred depend on the depths of coverage in the documentation produced. As an example, Waldes "TRUARC" division order takers have a preprinted "how-to-do-it" manual which covers every conceivable incoming order/change condition. This loose-leaf manual is updated monthly. The "DC" change would require basically a total regeneration of this documentation.

"TOWER OF BABEL"

Now we review the cost to the Marketing and Sales areas. Sales must, first, announce to its customers, OEM as well as Distributor, that the addition of a new part number has been made. They must be told that in time the old code will be phased out so that the customers have time to change their internal records. Sales Dept. must be prepared to deal with OEC manufacturers who might not be interested or willing to convert their records. Or, the OEM customer could say. "If you can use a distributor-imposed part code, why not use my part code as well? I am X percent of your business." Mishandling this segment of the conversion will cause chaos, reminiscent of the "Tower of Babel".

While the new "DCF" codes are being prepared, internal sales personnel (order takers) must be trained to convert manually from the new part code (DC) to the old part code and vice versa. This requirement is imposed so that there is an orderly transition during the period when EDP is reprogramming and testing its changes. Each time an order comes in this translation step must be effected.

The cost to sales for its segment of DC is:

1. Announcement mailing	$1,000
2. Training	4,000
	5,000

At this point no attempt is made to estimate the cost of sales calls to explain the code and convince OEM and non-association distributors to use it.

REFORMAT ENTIRE CATALOG

Marketing Dept. has to modify its plans and implement changes to the catalog and price lists to allow for both code DC and old code. This initially sounds like a simple change. It is not. It is very expensive because you must reformat your entire catalog to allow space for the new coding. It is possible that a soft cover bound 8½ x 11 book will be inadequate. You would be required to go to a non-standard size to allow for the "DC" coding or you have to reduce your print size by image reduction to maintain a standard size. If this is the case you have the added problem of misinterpretation and misreadings if your printing isn't perfect.

The Waldes "Truarc Retaining Ring Technical Manual: Design and Engineering Specifications" is in use by many schools as a text book for mechanical design; approximately 175,000 books have been issued. They would have to be replaced. The cost to redo the catalog is $70,000 (approx.) while printing costs $1.00 per copy (large volume including binding and cover).

This means that the catalog portion of DC conversion is:

1. Redo catalog	$70,000
2. Replace current manuals	200,000
	270,000

TRANSPOSITIONS GO UNNOTICED

The price book must have the new distribution code (DC). Waldes price book is computer typeset. The addition of DC and refabrication of negatives would

cost $15,000 and a reissue about $4,000. However, an additional consideration must be given to the potential for transposition previously mentioned. If a transposition should occur in your catalog or your price book, who would be liable for the effects? Using the significant code system transpositions become an outstanding characteristic of poor preparation. Using the non-significant DC, they go unnoticed until the problem appears.

The price book contributes:

1. Redo	$15,000
2. Reissue	4,000
	19,000

LOSS IN EFFICIENCY AND PRODUCTIVITY

In summary the one-time cost to convert to the Distribution Code for large inventory, low volume per part manufacturers could reach $1.4 millions if all possible costs were considered. Assuming that catalogs and price books are needed in any case, the cost could be lowered to about $1.1 millions. Assuming another type label was allowed, the basic cost would be $1.45 million.

This sum does not include the loss in efficiency and the loss of productivity during the conversion and learning cycle. A twist drill manufacturer indicates its two code format has been in existence for many years and that the company anticipates that it will not eliminate the code in the next twenty years.

Let us now consider the intangibles which will add costs that are not readily quantifiable until they have been experienced.

FURTHER MODIFICATIONS

The Merchandising/Public image people within marketing must analyze the package design, label formats, invoice forms, pick/packing slips forms and any piece of paper which leaves the company. All of these exist with areas designated as the location of the old code format. They must be modified to accept the Distribution Code as well, for a period of time and then be further modified to the new DC solely in the future.

Plans must be formulated to scrap or use up and then reorder paper stock as required. Paper stocks must be segregated to prevent using the wrong style form with a given computer processing. In all a conversion control center must be established to coordinate and to guarantee minimum disruption to normal actvities during the conversion and subsequent learning period.

The order picking instructions to stock clerks must be modified to conform to the new DC code. The computer must access the cross reference table to be sure the old code is listed. This requirement is imposed because the rearrangement of the stockroom to the DC coding will occur slowly over a prolonged period. Imagine the amount of confusion and delay when people start trying to pick five-digit randomly ordered "DC" code numbers while using their old code Translation dictionary.

MURPHY'S LAW

To keep our perspective, while all the changes are going on, so are normal operations, both administrative and production. This means that the conversion and implementation are a long, stretched-out process. To speed the process, you have the option to increase your staff. Or you may have an outside consultant group. In any case, however you look at it, hidden costs will reveal themselves in the predictable manner of Murphy's Law.

In an industry which thrives on response to customer special requirements, Waldes finds that customers quite frequently will order a product which is not in stock, with, for example, a particular plated finish. We presently take a similar product from stock in one finish and rework it to the finish being requested by the customer. We have been using a significant code for thirty years and the new code is forcing a change to a widely separated, not definable number which could force production to decide to keep its old code and let the computer do conversions. Woe to the day of the broken-down computer. The factory stops.

THE POTENTIAL FOR PROBLEMS

Information is collected during the production cycle at various operations where blue collar workers fill in times, feeds and speeds. The existing union agreement specifies what information the operator will or will not collect. It

requires a negotiated contract modification to change the input presently being prepared. What will the manufacturer lose in this change? In reality the manufacturer cannot substitute "DC" for "Old Code" for no one understands the "DC". Until the "DC" is learned, the union workers must add data. The probability is that the union will call this extra effort and request salary adjustments for affected workers.

Cementing the reality of a dual code is the envisioned confusion of each production worker and/or foreman with a manual which says this new DC code is really this old code. The cost of scrap and rework because of misinterpretations and lack of comprehension has not been considered by the people developing the distribution code. A manufacturing professional rather than a warehouse administrator is needed to analyze the effects of DC.

The Distribution Code may be fine when one considers the operations of a DC in a warehouse, provided the warehouse is physically arranged to follow the code. However the potential for problems exists if coding is not thoroughly though out. As an example, if the size order is maintained, then "1 x 2 inch" plastic packages will be in place next to 3 inch high boxes. These in turn will be next to 6 inch boxes, etc. Wasted space could become the rule. Also spacing has to be left for new items; otherwise the stockroom cannot be maintained without a fourth code, the DC stockroom locator (Row A, Aisle 6, Shelf 14). Probably the locator is the safest control you can have in a DC stockroom.

SOMEONE HAS TO PAY THE PIPER

In conclusion let us realizes that this is the cost and some problems, with various options available, to the manufacturer I know best. People in large inventory, low volume per part, plants have not been faced with the spectre of a DC so they have not thought enough about the consequences of the transition to make a valid decision concerning whether that transition should happen. Talk is cheap until someone has to pay the piper.

Can U.S. manufacturers each afford to pay between ½ million and 1½ million dollars to test a theory, and perhaps tempt providence in a soft economy? I think not.

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