



JACK TRAVERSO

Report of Equalization Committee

By JACK TRAVERSO
Spokesman for Committee

MR. CHAIRMAN, LADIES AND GENTLEMEN: This is a report of the Equalization Committee that was appointed following the convention held here at Del Monte last September. Immediately following the convention, Bill Hadeler phoned and informed me that I had been elected or appointed as a member of this committee. The committee in the north consists of Joe Bird, Henry Reed and myself. Ex-officio members of the committee are Bill Hadeler and Frank Tissier.

The name of the committee, "Equalization Committee", speaks for itself. The only thing that the committee is striving to do is to secure for you independent merchants or individual merchants equal rights from the manufacturers. We are setting our investigation at the present time on the famous Warren Plan. Maybe some of you present have forgotten what the Warren Plan is. The Warren Plan is the program under which Safeway is trying to stop all types of direct store distribution to their respective stores and asking that the manufacturers deliver their products direct to their central warehouses with tremendous discounts, or, as they put it, the saving to the manufacturers in distributing the merchandise.

In making this report, we as a committee, have a doubt in our minds as to whether we should continue the investigation. We felt that we should come before the delegates at large and have you tell us whether you want us to continue and, if we do continue, what are you going to do about it when we relate the facts as we know them.

It is the committee's unanimous opinion that in making this report that we mention names, not just refer to a certain company by reference but to a specific company.

Cardinet 20 Per Cent Discount

We have definite information that the Cardinet Candy Company, who make U-No bars and other popular bars of candy, are making a central warehouse delivery to the

Safeway unit and allowing them 20 per cent discount. Members of our committee asked the Cardinet Candy Company if it would sell that merchandise to their buying organizations and they were informed that they could not purchase the goods that the company elected to deliver to the individual grocery stores as they could give better service that way.

On the face of it, that sounds pretty good, but let's analyze it. Every Safeway unit alongside of an independent grocer is enjoying at least a 17½ to 18 per cent advantage on every bar that they sell that is made by the Cardinet Candy Company. We feel that that is wrong. That is direct discrimination.

In this committee we try to be fair with all of the manufacturers. When we hear of a discount or we learn that they are making central warehouse delivery, we call them before the committee. We make clear to the manufacturers that even though the three of us represent buying organizations that we do not sit as judges for the buying organizations, but we sit as representatives of the grocers at large. We do not want them to treat us as buying organization representatives.

Bluebird 20 Per Cent Discount

We had at least three or four meetings, I would say four, with the Bluebird Potato Chip Company, with Mr. Barr. At one time, unbeknownst to us, Mr. Barr brought one of his attorneys to the meeting without properly introducing him as his attorney. Had we known we would have had our attorney there. We would have had Emil Hoerchner present with us. Yes, he brought in his attorney but we have not learned to this day why an attorney was necessary at that conference.

The Bluebird Potato Chip Company are making central warehouse delivery to Safeway, and allowing 20 per cent discount. Now I know, as sure as I am standing here, that since we have had these conferences with those people, they have come to you and are now giving you as high as 10 per cent discount, but you are only receiving that 10 per cent discount because of the efforts put forth by your committee. On that subject when you accept that 10 per cent discount from this com-

pany or any other company that we are investigating, and when we know a larger discount exists on a central warehouse delivery, you are not playing fair with your fellow grocers. If we expect to gain the respect of these various manufacturers and keep them in line, we have to stick together.

Either they give us the proper recognition, the full discounts they are giving to our competitors and you large operators, and there are a lot of you present today, and to you I want to say this: That even though you may think when you drive a bargain and get 10 per cent or 12 per cent from some of these manufacturers that you are accomplishing something, I say you are not, because there is always that unit that is much larger than yours and their discount is greater than the discount you receive. How much better it would be if we could convince these manufacturers to have a straightforward one-price policy to all, and if you buy our products, it is the same price, regardless of size of purchase?

We uncovered in the Mother's Cake and Cookie Co., wherein they are making a delivery of \$500 worth or more of merchandise to the Lucky Stores. They are allowing a 17½ per cent discount with an understanding that there would be no stale returns. It is necessary for the Lucky Stores to pay for the unloading of the merchandise. We found that the unloading cost is a half of one per cent, thereby giving the Lucky Stores the advantage of 17 per cent on Mother's Cakes and Cookies.

It is needless for me to say after I read each and every one of these known discounts that we stressed our case with these respective manufacturers. We are not asking the manufacturers to stop selling Safeway Stores, and we are not asking them to stop selling any corporate chains. The only thing we are asking for is that they give you individual grocers the same discount and the same equal rights as they are giving the corporate chains. I think that is a fair request and demand on our part.

Continental 20 Per Cent Discount

Just recently we learned that the Continental Baking Co. was going to recognize the Warren Plan in the East Bay area. The East Bay area is the area across the bay from San Francisco. Detectives were employed so that we could be sure that these deliveries were being made before we called upon the Continental Baking Company. Our detective's report came to our office saying that these deliveries were made. We immediately contacted their representative, Mr. Golde, and presented our case. He replied that on these central warehouse deliveries on the Continental Baking Company's cakes, and I want to make that clear, not on bread yet, but on cakes, they were allowing 20 per cent.

We know why the Warren Plan wants to receive these extra discounts on popular line merchandise. Because they want to reduce the cost of delivery on their own private label merchandise that was referred to earlier today by Mr. MacDonald. Mr. Golde told the committee that it was an understanding with Safeway that the only merchandise that would be delivered in trucks to the respective stores would be Continental products on those trucks, and by so doing that they would not be enjoying so much of a saving on their delivery. We followed up on that statement. Mr. Haderer wrote a letter to the Continental Baking Company because we

had heard that other merchandise was being combined, other cake, sweet cakes and bread, were being combined in those trucks. He wrote a letter to Mr. Golde, and he answered by saying:

"Kindly be advised that a recent check was made in reference to the method in handling the distribution of our products, and our findings were that our cakes and cookies are being distributed exclusively by trucks that handle no other products but cakes and cookies and pastries which are manufactured by another bakery."

That is entirely different than what was told the committee. I checked with each individual committee man before I made this statement to be sure that my memory served me well. They agreed that only the Hostess products would be on that truck. I might state that we were told that in the East Bay area the Safeway unit handled very little of the Continental cakes and cookies before the discount deal, and the fact that Continental cakes and cookies were still popular in the East Bay area was because you individual grocers over all these years have been handling these products. Why in the name of folly does a manufacturer go to work and give a customer that who doesn't give them any co-operation, a 20 per cent discount, and has nothing to offer you, the people who have been keeping his product before the consuming public?

I would like to go back to the Bluebird Potato Chip Company and state that Mr. Barr admitted that 85 per cent of his business was done with the individual grocers, and that 15 per cent of the business that was being done was done by the corporate chains. Still they give 15 per cent of their business preferential recognition over you individual grocers, and what are you going to do about it?

In order to be fair with the Bluebird, Mr. Barr offered to give us the same discount that he was giving to the Purity Stores, namely 5 per cent discount, when he delivers direct to each Purity Store. Many of you here do have stores that are in the same block with Purity, and for years you have not been receiving the 5 per cent. In offering this 5 per cent to the individual grocers, the offer had a string attached to it, and that was that we guarantee exclusive distribution to the Bluebird Potato Chip Company in our stores.

We have a situation down in the Fresno area. There was a little doubt as to how far we should go because we find that the cause of the trouble is brought about through the aggressive efforts of a bakery that ships in its merchandise from the Los Angeles area. In Fresno the Langendorf and Continental Baking Co., and this we have not verified yet, the Weber Baking Company, are making direct central warehouse deliveries to the Safeway warehouses. The discounts range from 20 to 25 per cent.

Grandma Discount

The Grandma Cake and Cookie Company has an allowance of 20 to 25 per cent that they offer to the Lucky Stores, Safeway and Hagestrom's and others in a like position. I cannot understand why the manufacturers do such things when it is these individual grocers that keep those nationally-advertised brands before the consuming public. It is these individual grocers who are the first ones to take on a new product when you offer it for sale. Why, after these people give you such

splendid co-operation, do you elect to give preferential recognition to the chain stores?

Now, ladies and gentlemen, the thing has gained recognition back in Washington, D. C. Only last Wednesday, a week ago today, I had a visit from Arthur Lyddane of the Federal Trade Commission. We were in conference for two hours and the facts I have revealed to you today were handed to Mr. Lyddane because we definitely feel that there is discrimination.

I want to repeat, what are you grocers going to do about it? Do you want our committee to continue to function, and are you going to stand behind us one hundred per cent? At this time I will turn the question over to you. If the Chairman will permit, I would like to have a little discussion from some of the members present. Thank you. (Applause.)

PRESIDENT ROLFES: Ladies and gentlemen, you have listened to a very fine report. That report will not be worth very much unless we have some discussion on it. I know each one of you have some questions in mind. I would like to have a few questions from the floor, and Mr. Traverso will do his best to answer them for you. Who has a question?

MR. WISE: I would like to ask you how much do you think the returns from an individual merchant is?

MR. TRAVERSO: I would say it is entirely too large. I do not blame you grocers for that. The committee has told the manufacturers that the fact that the independent merchants have so many returns is because of the over-aggressiveness on the part of their salesmen, who try to load you up so much so that there is no room in your store for any other man's products. If they would only leave you that which you know you can sell, your sales would be reduced to an absolute minimum. That goes for the bread industry as well as for the cake industry. (Applause.) I know whereof I speak, because I have stood in stores and I have seen them heap the bread as high as your head on the counter. I know one fellow who could only sell about 25 loaves but they left him about 75 or 80, and there again you grocers should exercise a little more attention as to what these people leave on your counters even though they take it back. Can't you see they are beginning to make you pay the bill because they are having to take it back?

MR. WISE: The reason I asked that question is this. Suppose Grandma's Cakes came to you and said they would give you the same ratio as the chain stores if you did not return any sales, what would you do?

MR. TRAVERSO: Let me ask you this question. If they are giving the big chain units 20 to 25 per cent on their cookies and they came to you and they tell you that they will give you the difference if you do not return the sales, what would that percentage be, Adolph?

MR. WISE: That is the very thing I am trying to find out. I understand that the sales from the individual merchants during the last two or three months was as high as 22 per cent.

MR. TRAVERSO: I don't believe that figure is correct.

MR. EBERT: Our sales run about 2 per cent in bread and cookies.

MR. TRAVERSO: I forgot that I have the actual percentage of sales for a week which was given to us by one of these cake and cookie companies. Looking across this report for a week I find that the percentage of

sales in one instance is 3.38 per cent. That is the average. With one driver it is 4.9 per cent; another driver, .76 per cent, less than one per cent; another driver 3.84 per cent; another driver 3.05, and another one 4.37, making the average 3.38. That is far less than 22 per cent.

MR. WISE: I have checked my stores several times. I have not a half of one per cent.

MR. ELVON W. SMITH (Oakland): I feel that this work that has been done by this committee is very excellent. Who made them popular—the independent grocer—and after the independent grocer has built up an article to the point where there is a large consumer acceptance, then and then only does the corporate chains step in and take over the business that we have built up. That has been proven time and time again.

The corporate chains concentrate on certain items. I can point out stores that have six or seven different kinds of potato chips in their stores. How in the world can they ever qualify for a discount when they have so many different brands?

In the case of bread, we speak about the returns. The returns mean nothing to the bakers. In our community they have stale stores and they sell this bread there in competition to you. The more merchandise they can pile into your store, the more goes back as sales, which are sold in these stores. The more they sell in these stores, the less we sell in our stores, so they get their cost back in their stale stores.

It seems to me that there is no backing we could give to this committee that would be too great. We need this sort of thing.

In the case of the Cardinet Candy Co., there is no excuse for their stand. Their principal factory is in Alameda. I do not know if they have another factory or not. I was told in a meeting yesterday that you can buy Cardinet Candy in Los Angeles, over 400 miles away, for 67 cents a box, and right here in Alameda we have to pay \$1.00. If we go to the factory we get two per cent off, and we get it for 98 cents. The reason they advance is this. They have an organization there which is composed of a good many drivers who are interested in the company. I have known this company for years. I know one man who used to go to school with me, and he is now Vice-President of the Cardinet Candy Co. He owns and operates his own route. They started that way, and now these men have valuable money in the business, but are we to be penalized and Safeway given the advantage over these men who run their own routes?

Gentlemen, I feel that this committee should go on functioning. They have presented to us some different manufacturers who are discriminating against us. How many they will be able to unearth is the question. (Applause.)

MR. TRAVERSO: I want to say one thing from this rostrum, that because of you grocers and because of our willingness to fight for what is right for you and take the stand like I am doing here, I had a suit brought against me some years ago for \$100,000. In order that the records may be kept clear, remember that Jack Traverso never said to throw out anything. You take your own individual action. I know what I would do. It is up to you. If you want to do a certain thing, it is entirely up to you. I am not telling you to throw anything out of your stores. (Applause.)