

The great price war put-on — 1970

by LESLIE MACDONALD

"The customers don't understand what's involved in pricing," said the grocery manager of one of the eleven Sobeys stores in the Halifax area currently involved in the much flaunted price war.

"It's a great advertising gimmick," said one of those incomprehending customers.

For three weeks now, Halifax consumers have been the object of a price war which originated with Steinbergs in Quebec last winter, spread to Ontario where Steinbergs and Dominion are the main contenders and was transported to the Maritimes by the Dominion head office in Toronto.

Individual store managers and personnel had no say in the decision to 'go discount', neither do they determine the amount of discount on each item.

Yet they are the one's who must deal with customers who see inconsistencies in the deep discount policies which the stores are claiming.

"Once it starts, you have to continue if you want to maintain business." In fact, the head offices of both major chains are keeping a check of the advertised prices of their competitors, and, they claim, lowering

theirs in response.

One Dominion grocery manager claims that if a customer complains that he or she could buy an item cheaper at another store, he will mark it down to that price "if she is a good customer." Another added that "in that case, the price would be lowered by the end of the week.

Sounds great in theory. When challenged on a 20¢ per pound difference on

Items which are not sold by weight, like lettuce or cucumbers, can be sold for reduced prices. But a glance at the size of the items makes it obvious that there is little to the bargain.

However, the price war has performed a real service to the consumer, a service which was not its original aim. It has helped to clarify the price games which the chains are playing with their customers. Many shoppers are now more aware of the city-slicker tricks

In fact, when store employees in New Brunswick tried to unionize two years ago, Sobeys's closed down one of its St. John's stores, to demonstrate their feelings about the issue. Needless to say, the strike was smashed, and Maritime employees are still non-union.

So why is Dominion stabilizing or decreasing its operations down east. In the past few years they have opened no new stores, in fact they have closed out all their branches in Newfoundland and Prince Edward Island.

Partly because they are attempting to run their whole chain from two main warehouses, located in Montreal and Toronto, rather than decentralizing operations. And partly because neither Dominion nor Sobeys's is in this business for the fun of it. The grocery business is a multi-million dollar industry, but not as multi-million as many. So it is often more profitable for the chains to keep their expansion to the point at which they will be making the highest percentage of profits, and channel other investments into areas with a higher rate of return. That's business.

However, this is not to say that running a super-market is a losing proposition. This is obvious in the cooperatives which operate throughout Nova Scotia.

The Dartmouth Co-op, in operation for two years, has a membership of 750 families, with a waiting list of 300. The new Northern Cooperative Limited, in operation for only three weeks, already has a membership of 150 families, half of its capacity.

There are no signs in the window, screaming of bargains and discounts, only the discreet green and red Co-op insignia, which can be seen in stores around the province.

Inside, a crayoned sign on the wall says "Remember, this is your store. Customers must pack own groceries."

Co-op is not a put-on. The store does belong to its members. And it provides the lowest, most consistent prices in town.

Members join the co-op by buying two shares of stock at \$5 per share. They also agree to buy one share each quarter year until they have purchased at least ten shares. This money provides the capital base any store needs to purchase stock and equipment.

In addition, members pay a two dollar per week service charge, which covers all costs of operation, salaries, rent, light and heat.

In return, the Co-op Supply Depot, located on Gottingen Street across from the Neighborhood Centre, buys merchandise which it sells to its members at cost price. And cost price is a far cry from deep discounting.

A quick look around the store confirms this. Light

bulbs, which regularly sell for 69¢, are marked at 38¢. Ben's cakes and cookies are reduced in one instance from 19¢ to 15¢, in another from \$1.49 to 88¢.

Soups, canned fruits and juices, many of them Co-op brand, dry goods are all substantially lower than any specials around town. And prices will stay this way, because Co-op is not a money-making venture.

The store has a board of directors drawn from the group of citizens who helped to organize the venture.

COMPARATIVE PRICE LIST

	Dominion	Sobeys	Co-op
Honey, 2 lb.	.81	.79	.67
Cheddar Cheese (Medium)	.89	.85	.69
Cream of Mushroom soup	.21	.21	.18
Nescafe Coffee (10 oz.)	1.85	1.85	1.57
Apples (5 lb. Macs)	.63	.65	.43
Raisins (2 lbs.)	.73	.75	.64



PRICE WAR QUIZ

or how well do you know your grocery stores

"Nobody but nobody undersells Sobeys's" or "Nobody undersells US" (Dominion) means:

- (a) these stores have the cheapest prices in town
- (b) it doesn't much matter where you shop
- (c) well, nobody who's anybody
- (d) not very much

Sobeys Stores is:

- (a) a small family business
- (b) part of a multi-million dollar international chain
- (c) a good alternative to Dominion because it adheres to the "buy Maritime" philosophy

The people who get most satisfaction from the price war are:

- (a) the consumer, of course
- (b) the stores, which more fully serve the people
- (c) the Chronicle-Herald-Mail-Star which carries all the advertising

I would rather be exploited by:

- (a) an upper Canadian chain store
- (b) a maritime chain store
- (c) both of the above
- (d) none of the above

If the chain grocery wholesalers were, before price war, running on 2% profit margin with 24% mark-ups, and are now reducing their mark-ups up to 15%:

- (a) there will soon be many co-op grocery stores
- (b) there will soon be no grocery stores
- (c) the price war isn't going to last long
- (d) something is fishy somewhere
- (e) something is fishy everywhere

"There's room for everybody, there's no point in pushing anybody out" (the philosophy of one of the major chains):

- (a) is an example of the virtues of free enterprise
- (b) means there's lots of room in our store aisles
- (c) should be a lesson to those overpopulation freaks
- (d) "if we can keep our prices high, we'll keep our prices high."

one item between his store and one of the smaller chains, one Sobeys's manager claimed it was a matter of quality. (This was later found to be untrue). His attitude towards the "Nobody but nobody undersells Sobeys's" signs which festooned his store was that it was just sort of a general policy, but when brought to specifics was not always applicable. This is easy to verify.

A Ben's driver who delivers products to the super-markets said that he was instructed to mark down every item 1¢, whether it be a 22¢ loaf of bread or a \$1.49 cake. So much for deep discounts.

While the object of the price war was to win over new converts to loyalty to the individual chains, it seems to have had a contrary effect.

Many shoppers, initially attracted by the advertising splashed across the papers, came to investigate the great price war. And most found it a great put-on.

Not suspicious, but curious, many pried the Now labels off the newly discounted products to determine what they were actually saving. One woman reported, "It said 'Now \$1.15', and underneath the original price was \$1.15. And you can get the same thing in Bedford for \$1.02"

Others reported similar experiences. Some items were noticeably discounted, namely cat food, potato chips and raisins, but most remained approximately the same if not more. A gallon tin of Crisco oil, for example, was raised from \$3.19 to \$3.29 a week after the great discounts went into effect. Bacon, which at first dropped from 99¢ a lb. to 69¢ is back up to its original price.

And there are all sorts of other gimmicks. In the weeks before the price war, several items disappeared from the shelves. For instance, Dominion stocked several brands of 1 lb. bags of popcorn, one selling for 31¢, the other for 19¢. Before the war, the 19¢ brand was discontinued but the 31¢ brand was deep discounted to 30¢.

The same occurred with brown bread; one brand selling at 29¢ for 20 oz., the other 30¢ for 18 oz. Now, only the more expensive remains, selling for the great saving of 29¢.

Other ways of discounting mean little in reality.

in both pricing and advertising.

One woman, a Capitol stores regular, came to Dominion to check out the price war. "I've never been a price watcher", she declared, "but you can be sure I'm going to be now."

A cashier at Woolco added her analysis. "Sure, they may discount some things, but not the things an ordinary family uses. They discount things like chips and pop."

Two girls shopping at Dominion and comparing prices found they had saved two cents on their weeks groceries, one on corn starch, the other on cereal.

Both Dominion and Sobeys's report an increase in volume since the war went into effect. Yet one manager claims that the increase in volume will not make up for the decrease in prices, the extra advertising and staff they have hired to take care of the increase in customers. Purportedly, the 2% profit margin which the stores earned before discounting is now reduced to 11/4% after all expenses are deducted.

So why continue in the grocery business?

The price war has a strange history. Originally Dominion went discount in its Ontario stronghold in response to discount pricing by Steinbergs, another chain store. In addition, Super City, an IGA chain, and one of the large western chains were moving in and threatening its market.

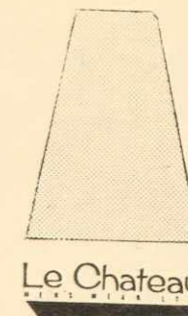
Once started in Ontario, the war was bound to spread. If not, Maritimers would have been in the position of subsidizing an Ontario price war, an alternative which would be hard for any consumer to stomach.

It is easy to see why the stores are not making exorbitant profits of some of the country's bigger industries, the paper mills, mines and fisheries. At least in Ontario it is. There, store employees are unionized, and cashiers receive a starting salary of \$120 a week, while clerks start at \$125. They are forced to keep their prices in line with competition from other large chains, both Canadian and American.

But the Maritimes is another story. Cashiers get close to the minimum wage (\$1.00 per hour for women, \$1.25 for men). As for unionization, Sobeys's 'support your own' policy doesn't go quite that far.



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Friday, Dec. 4 — DR. JOHN YOUNG, Chairman of Price and Incomes Commission. Rm. 15 Weldon Bldg. 2:00 p.m. TOPIC: "Price and incomes despite Regional Economic disparity"

Sunday, Dec. 6 — FOLK MASS, Dal SUB.

Monday, Dec. 7 — ATLANTIC SYMPHONY ORCHESTRA SERIES, Cohn: 8:30 SUB.

Tuesday, Dec. 8 — DAL ART GALLERY LUNCH HOUR FILM SERIES, A & A Bldg. (a) Rembrandt - Beyond Art, (b) Charles Burchfield - Fifty years of His Art.

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