

But Will They Last?

No-Frills, Limited-Choice Groceries Opening Here



AT ALDI food stores it's no shelves, no choice and no sacks, but the prices . . . (Post-Dispatch Staff Photo by Karen Elshout)

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Aldi Discount Food Stores, a grocery chain offering no-frills, limited-choice, low-cost shopping, are popping up around the St. Louis area. Industry sources say as many as 30 will be available to local shoppers within the next six months.

At first glance the Aldi stores would appear to be the answer to a consumer's dream. The savings can be significant. But there are drawbacks; the stores have few fresh fruits or vegetables, no frozen foods and no grocery sacks.

Aldi customers can save six cents on a bath-sized bar of Dial soap, for example, and a one-and-one-half pound loaf of bread sells for 29 cents. The chain claims that its customers save up to 35 per cent on the products available in the limited choice stores.

Mrs. Doris Povis of St. Ann, who is the mother of five, shops at the Aldi store at 2709 Woodson road in Overland. She said she saves about \$15 a week on the items she can buy there. She added that she doesn't miss the Muzak, the grocery bags or the plush layouts of the average American supermarket. The homely, European-like decor doesn't offend her a bit.

However, representatives of local grocery chains are undisturbed by the entrance of Aldi into the St. Louis market. "There are ways for the standard supermarket to combat this," said an executive who wished to remain unidentified.

Industry studies show that only 15 per cent of grocery customers want the no-frills Aldi concept and that even they would buy no more than 30 per cent of their weekly grocery items in such stores, the food man said. The lack of perishable items needing refrigeration in Aldi stores underlines the industry studies.

But Charles Fitzmorris, president of Aldi-Benner, Inc., Burlington, Ia., is philosophical about the grocery industry's disdain for the Aldi concept which was brought to this country by West Germany-based Aldi Corp. "I know the industry doesn't believe it is going to be a success, but naturally I'm convinced it will work," he said. It will take about a year to prove who is right, according to Fitzmorris.

To combat the food discounters like Aldi, some groceries are setting up special sections featuring nonbrand name items such as those sold in Aldi stores, the grocery executive who wished to remain unidentified said. That way, the customer who would shop at the discount store is offered the chance to buy both cut-rate, nonbrand name items and other items in the same store.

Although St. Louis-based Wetterau, Inc., is experimenting with the no-frills concept in a corporation-owned store in North Augusta, S.C. and in an owner-operated store in Granite City, Ill., an informed source said the company does not expect to move into the concept.

Dik Warren Twedt, a professor of marketing at the School of Business Administration at the University of Missouri at St. Louis, shares the negative attitude of the grocery industry toward the Aldi concept. He is also frustrated by the chain's marketing approach, which he contends will cause the idea to "fail for the wrong reasons."

Twedt argues that the Aldi stores will cause their own demise by ensuring that too few customers will spend too little

money in the stores. The lack of grocery bags, the reliance on too many nonbrand name products and the miniature shopping carts available in Aldi stores underscores that inevitable conclusion, he said.

The professor said Aldi is missing the boat by marketing strictly to the low-income person who is tightly tied to a weekly paycheck. If the stores also consistently offered a cut-rate price on an alternative top-of-the-line product and pushed half and full case purchases, they could snag the high income customer and push up the average purchase, Twedt contends.

Fitzmorris of Aldi-Benner disagrees. Marketing to the well-to-do is not part of the concept, he said. "We market to anybody interested in price and I think there are a lot of those people."

Customers in the Aldi store on Woodson Road in Overland on a recent day seemed eager to exchange information about products they had purchased on earlier trips. But Twedt believes that customers will soon tire of having to take a "pig in a poke." "I resent being the tester," he said.

Twedt illustrated his statement by referring to a nonbrand name toilet tissue sold by Aldi. It was the European variety that has never been given rave reviews by American tourists. After purchasing a few products that do not turn out to be satisfactory and with the knowledge that there often is no brand name alternative at Aldi, customers will go elsewhere, Twedt predicts.

When customers enter an Aldi store, they are greeted by a sign which explains how the chain keeps its prices so low. Aldi provides no grocery bags, accepts no checks, sells no perishables, pays little overtime, doesn't put prices on products, has no fancy fixtures or floors and does little advertising, the sign says. It remains to be seen whether it will have to add "no profits" to that list.

Subsidy For Banks: Is It Necessary?

Among life's minor irritations is the Federal Reserve System's subsidy of member banks by keeping its discount rate below market rates during tight money

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In contrast, when the federal fund rate was 4 percentage points above the discount rate in August 1974, during the tight money period, borrowings were 3.35