

as fresh as possible. In the long run, this may also benefit the food industry, by starting a process whereby stores improve their handling and inventory control, and lean on suppliers to do the same. But will we get open dating?

Representative Farbstein modestly hopes to get HR 14816 out of the House Commerce Committee for general hearings this session. So far, nothing has come from his second line of approach, to petition the Federal Trade Commission to include an open-dating requirement under Section 5 of the Federal Trade Commission Act. Next year, unfortunately, Mr. Farbstein will have left Congress. (He failed to win a New York Democratic primary.) His "baby" will be in other hands, possibly some of his fifty-eight co-sponsors who may reintroduce the bill. In the end, it will be up to Consumers Union, the Consumer Federation of America and other citizens' groups throughout the country to try a little harder to convince the food industry and Capitol Hill that fresh food can be good politics and good business.

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## GROCERIES, GAS AND GAMES

Jennifer Cross

Anyone who has ever accumulated a pile of useless "Bonus Bingo" slips or "WIKI WIKI Dollars," and wondered who was playing games with his food and gas money, can find most of the answers in the Federal Trade Commission's recent "Economic Report on the Use of Games of Chance in Food and Gasoline Retailing." Started during the housewives' boycotts at the end of 1966, this long-incubated study summarizes both the commission's findings and the hearings on gas station games, held last summer by Rep. John D. Dingell, chairman of a subcommittee of the House Select Committee on Small Business.

Evidence from both sources strongly suggests that the games constitute a triple-layered hoodwink. The public is fooled about its chances of winning, the oil companies and food chains are misled about the sales increases the games will provide, and the gasoline dealers are completely sold up the river as to their costs and returns. These consumer games are also peculiarly vulnerable to rigging. In the end, the ones who make out best are the successful game promoters.

Obviously some members of the public benefit, theoretically, at least. Someone has to win all those Mustangs and \$1,000 jackpots. But many people do not realize how thin the goodies are spread.

According to the FTC, the chances of winning any cash prize on a random visit to your friendly game-playing supermarket are 0.34 per cent, while the chances of taking home \$1,000 are 1.2 in a million. According to the Glendinning Co., as one of the four largest games promoters who submitted its own report to the FTC, odds on the \$1,000 jackpot are even more microscopic—a mere one in 287 million, or one in 11,512 for a regular shopper over the whole game period.

Motorists' hopes for a lucky strike are no better. A Georgia survey submitted to the Dingell hearings showed that it would take two years of weekly visits to the gas station to get a \$1 prize, and 96 years of similar fidelity to win \$10. Snorted Frank Welkel, a reporter from the *Cincinnati Enquirer* who had amused himself by going through boxes of game pieces in search of the miserably few winners, the odds are worse "than a guy swimming the English Channel in a storm with an anchor round his neck."

Nevertheless, food chain and oil company advertising carries the strong implication that you personally will win, dangling the carrot of luscious jackpot prizes, even though these may have been won early in the game, and even though the whole lottery may have been fixed, to award prizes for strategic reasons.

The FTC found enough evidence of rigging to conclude that certain chains and oil companies occasionally distribute big prizes to favored outlets, generally where sales are large and/or competition unusually tough. In fact, a sales letter from General Marketing Corporation, creator of "Pick-A-President," which happened to stray onto Congressman Dingell's desk, stated: "We will program a pre-pack of cards to give you automatic distribution of the winners you specify to the exact locations of your choice."

Another trick is to hand out a jackpot early in the game to insure peak interest. One Los Angeles supermarket was even advised by a game promoter to take the first \$1,000 prize and plant it on the most talkative woman in the neighborhood. Some advertised prizes are never awarded at all, either because the winning tickets were not redeemed, or because the sponsoring company became disappointed in the response and decided not to throw good prizes after bad money. Such was the case with American Oil's "Super Pro," where only 398 Mustangs were won out of a publicized 1,000.

A few jackpots have gone straight into the pockets of enterprising dealers or their friends. Dealers in Oregon, Maryland and Virginia bragged to Congressman Dingell about their ingenuity in spotting the winning tickets. Also, a law student, Barry Tumpson, turned Humble's face red by presenting \$20,000 in winning tickets for "Heads and

Tails," which he gleaned from the "commons" by shining a slide projector light on the whole batch (he is said to have settled out of court for a respectable \$5,000).

Part of the bill for the whole shenanigans gets passed directly onto the public, depending on how successful the particular game turns out to be. After studying the experience of nine games-playing food chains, the FTC found that all of them suffered a slight increase in the cost of doing business. Between 1964-66, when games were at their peak, they spent \$40 million more on advertising, three-quarters of which was directly attributable to games. A few shoppers complained to the FTC that food prices were increased by as much as 10¢ on selected items. More commonly, the chains cut back on their "specials"—a tactic which was not reflected in the Consumer Price Index, but which certainly penalized many shoppers. Gas prices have also gone up by 1¢ or more since the oil company gambling mania started early in 1966. It is hard to say exactly how far games are responsible, but the FTC evidence shows that many motorists and some dealers believe them to be the villain.

Many sponsoring companies have been oversold on games as sales promotion. For example, a Walter Schwimmer brochure, advertising "Let's Go to the Races," states that grocery shoppers may come back "as often as twenty-five times a week. They hope that one of their cards will prove to be a winner. All of which adds up to a whiz of a lot of extra traffic." What Schwimmer did not mention was that consumers gradually get smart, and either split their usual purchases or stop by merely to collect their game card—leaving the chains will-less sales increase than they expected, and the bill for 30 per cent more game pieces to cope with the rush.

Gas dealers have found the same thing. One of them grumbled "Customers that I had for years, who normally filled up, would now come in several times a week and spend \$1, \$1.50, \$2, and it takes just as much time to service that car, to gas it, to check his hood and service the windshield, as it does to fill his tank."

In theory, said the games companies, chains should enjoy an 8 to 35 per cent sales jump, averaging 20 per cent for the course of the game; gas dealers should increase their gallonage by 40 to 50 per cent.

In practice, such a bonanza is forthcoming only when the company is first, maybe second, in the market with a popular game. Hence Safeway was able to make a killing out of the first round of "Bonus Bingo," and Tidewater with "Win-A-Check," "Bonus Bingo" and "Let's Go to the Races" have also built up what promoters call a

and track record, meaning that people like to play them, and the sponsoring company can normally count on a solid sales increase.

Many firms, alas, get stuck with real bombs, and either lose one, barely recover their costs, or only manage to hold their existing sales position. Such a situation arises when competitors retaliate with stamps, giveaways and discount prices, or start games of their own. This happened to supermarkets during 1966, when game saturation was at its peak, with fifty-two varieties in play; and to many gas dealers during 1967-68. Even successful games rarely do anything more than produce a temporary windfall for their croupiers. Over the bar, there is little difference in the profit picture of sponsors and sponsors.

Another depressant is healthy disillusion on the part of the public. Last year, the Burgoyne Index, one of the food industry's main consumer thermometers, recorded that 57 per cent of its sample would like games eliminated, up from 35 per cent in 1966; 36 per cent tolerated them (down from 46 per cent) and only 7 per cent still liked them.

Even in 1966 the FTC and leading food chains received 354 consumer complaints on the subject—a relative barrage, given the publisher's customary apathy. "Anyone desiring to gamble can go to the race track; this is not honest advertising," said one typical letter. "Stamps, card and bingo games are the forced gimmicks responsible in great part for the extra cost of food," said a second. "We will welcome the day when stores can go back to selling quality merchandise on its own merit and provide courteous, efficient services, instead of stamps, etc., in bidding for the customer's trade."

This resentment has lately been affecting the industries concerned, producing, as the February issue of *Fortune* points out, "a curious degree of schizophrenia in corporate policy," whereby "top executives of many of the same corporations have felt perfectly free to criticize the games that their subordinates were busily buying." Said Michael Haider, chairman and chief executive of Standard Oil of New Jersey, about his firm's use of games: "I think it is a damned poor way to market gas," a sentiment endorsed on other occasions by such companies as Ciggo and American.

If the brass is cynical, many gas dealers have become downright rebellious. Dealer associations in Florida, Georgia and Oregon moaned to Congressman Dingell that they were forced to participate, either by massive advertising to create consumer demand, or by occasional threats to cancel their leases. They paid through the nose for their game pieces: a typical cost was \$15 for a box of 1,000 tickets

containing \$11 worth of stamps. Officially, the game is profitable, but disappointing, particularly as the market became saturated. Their service started to go to pieces. And to cap it all, customers became hostile when they failed to win. Dealer pressure was in fact responsible for the Dingell hearings. It has also persuaded state legislatures in Massachusetts, Ohio and Wisconsin to ban games on the ground that they violate the lottery laws.

It is clear that the only winners are the games companies. In just seven years since 1961 the market has grown from nothing to an estimated \$200 million, and games promoters have proliferated from one, the redoubtable Harry Reichman, to somewhere between seventy-five and 120. Today, 70 per cent of the business is held by four companies, Glendinning, Kayden Industries, Strategic Merchandising and Walter Schwimmer. Few of their financial results are published; however, it may be significant that Glendinning has enjoyed annual sales increases ranging from 221 to 37 per cent since 1962, two years after the company was founded. It is little wonder that several of the golden geese have been gobbled up by professional marketing and sales promotion companies.

Since the whole scene is so depressing, why are the games still played? Why not cut out all the hoopla and lower prices or improve service? The reason given by the sad sponsors is "competition"; other firms have games, so they must play or go under.

Getting down to the unpleasant truth—which business dislikes doing outside its own trade and financial press—both the food and oil industries are overbuilt: there are more gas stations and supermarkets than the market can sustain with reasonable profits. Gas stations squat on the corner of almost every busy intersection (how do they all make a living?), while some supermarkets which had clientele of 11,000 to 12,000 in 1954 can now count on only some 3,400.

Since both food and gas are basic, undifferentiated products, the market is relatively inelastic. People will stuff neither themselves nor their cars simply because the prices of the nourishments fall. In any case, cost pressures are such that no firm can offer more than mouse-size price cuts and hope to stay in business. Hence the value of games: they may not permanently enlarge anyone's market, but they can do wonders as temporary traffic stealers.

To the despair of the intelligent consumer, many people really enjoy games, preferring them to genuine, if limited, price competition. Howard Brown, a vice president of the Plaza Group (a successful games company), offers the following theory in a book he has written on games psychology: "When we were children we always got some-

thing for nothing. But now that we're older, it's different—you get nothing for nothing. In games, there's an opportunity to re-experience that early developmental level of getting something free. You match something, and you get a reward."

All a game has to do is attract a small number of these submerged children. A 5 per cent sales increase is enough to meet the break-even cost; above 10 per cent, the company is laughing, and at 15 per cent, it is practically drowning in gravy. Meanwhile, *everyone* gets a game card poked at him, whether he wants it or no. Many, out of sheer inertia, will play.

It is difficult to see what can be done about these deep-rooted competitive and psychological pressures. The FTC has been holding hearings with a view to passing a kind of "truth in games," which would cut down the blah about winning, and require the public to be told how many prizes will be awarded in a specified area during the game period. The commission also proposes to stop rigging, and to protect gasoline dealers from being coerced to participate. The games companies, at least, will go along with these regulations; in fact they have already been bending over backward to clean house and see that games are rig- and tamper-proof.

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8 The food industry is currently pursuing a slightly different tack, both in defense of games as a promotion and, more important, of its right to sponsor them without too much whistle blowing by the government referee. The National Association of Food Chains hired two prestigious Harvard professors, Jesse W. Markham and Robert D. Buzzell, to review the same evidence collected by the FTC. Not surprisingly, they concluded that games "had no measurable effect upon costs, margins, prices or market shares in any of the markets analyzed." However, no mention was made about rigging, or the FTC finding that consumers were offered fewer food "specials" while the games were in progress.

We shall probably continue to be stuck with "Wiki Wiki Dollars," or similar offerings, though not in such profusion, until industry is able to produce another seductive type of promotion. Neither the FTC regulations nor the theoretical possibility of outlawing games altogether by including them in states' lottery laws quite gets to the root of the problem. Mr. R. A. Hunter, a Gulf vice president, put his finger on it when he said that games "are really more or less persuasive forms of price-competition. . . . The variety of competitive practices must be, in large part, considered inherent in our free competitive economic system. However, it does seem that we sometimes carry this freedom to extremes."