Supermarkets are so prosaic and ubiquitous that historians have largely ignored them as institutions worthy of study. This is a serious oversight, because supermarkets are barometers of the local communities in which they do business. Supermarkets reflect their communities’ status, developing and evolving in step with local socioeconomic conditions. They fulfill the needs and desires of customers, and sometimes create them.

During the two decades following World War II, which were characterized by the explosive growth of families and suburbs, shopping in a supermarket was one of the duties of the exemplary housewife and mother. Food from the supermarket was the nucleus of the family dinner. Supermarkets became social gathering-places of the neighborhoods in which they were located, places where shoppers often ran into their neighbors and friends. Shoppers purchased an increasing variety and quality of products made available by new technology. Supermarkets, in the meantime, continued to expand to accommodate new products and services. In sum, the history of supermarkets is as much a study about the communities in which they operate as about the industry itself.

It was through the operation of supermarkets that Chinese Americans in Northern California quickly became part of the mainstream economy and gradually became part of the mainstream society. The supermarket was an American phenomenon that Chinese Americans opportunistically seized during the industry’s early development. They were able to do so because of a combination of fortuitous and propitious factors. Their supermarkets were not very different from their competitors. Chinese American operators of supermarkets were not trendsetters, but astute followers of the industry’s standards and innovations. They selectively adopted management and merchandising methods and spent only enough capital on equipment to meet basic needs, increase sales volume, and beat or match the competition. They
had one chief advantage that their competition did not have: low-cost labor. It resulted from labor practices based on employer-employee mutual obligations carried over from the old world. The operation of their supermarkets was the quintessential combination of Eastern and Western business practices, by which they were able to reap very good profits. Before narrating their history, highlighting the emergence and growth of the supermarket industry will illuminate the road markers that Chinese Americans followed.

COMING TOGETHER

Although the supermarket was not a completely innovative enterprise, all of its components came together in 1930. Until then, separate small stores made up the bulk of food retailing: stores selling only groceries, meat and seafood markets, confectioneries, bakeries, fruit and vegetable markets, delicatessens, and dairy stores. These food stores were located close to the customer and offered a variety of services such as credit and delivery. There were already chain stores, which were comprised of a group of stores under common ownership with centralized and standardized management. Located in city neighborhoods, chain stores were spreading, but they were small and often one-person operations. The trend toward combination stores was well under way by 1929, but these stores, which were created by joining two or more specialty stores like grocery and meat, represented only about one-fifth of all food stores.

During the 1920s, parts of the supermarket concept were used in many areas of the country. Cash-and-carry, for example, was rapidly replacing credit and delivery as a more expedient and less expensive means for grocery purchasing by customers. Self-service, standardization, and simplification were practices that were synonymous with the Piggly Wiggly chain, which was founded in Memphis, Tennessee, in 1916. “Drive-in markets,” stores where customers drove their automobiles right up to the buildings and parked in free parking spaces, were common in the West and Southwest. The concept of one-stop shopping, which was based on large city markets that had separate retailers selling specific foods under the same roof, was gaining popularity among shoppers. Selling non-food products was a business identified with the general store, which also did approximately 60 percent of its sales volume in food products. Except for free parking, the objectives of these retailing methods were to reduce operating costs and selling prices, and consequently to bring in more customers and increase sales. During the Depression era, combining these features was a good business strategy because shoppers were looking for stores that offered low prices.
In 1930, in Jamaica, Long Island, Michael J. Cullen opened what the public called a “warehouse grocery” in an abandoned garage with all the elements that defined a supermarket. He had proposed his retailing concepts to his previous employers, Kroger Grocery & Baking Company and A & P, but his ideas were rejected as impractical because they were untested. Cullen had suggested that they open a large no-frills store in a low-rent district on the outskirts of town to cut operating costs, a store that would symbolize bargain prices and offer free parking. He also favored selling national brands at cost and at low markups, which would yield razor-thin profit margins but would attract crowds of shoppers. To make it a complete one-stop shopping store, concessionaires would sell meat, produce, dairy, deli, and household items. Lastly, he wanted to use bold price-oriented advertising to solicit customers. Although his ideas were initially rejected, he was able to apply them in his own store. Other entrepreneurs quickly followed suit, and the age of the supermarket began.

Reflecting the mood of the Depression era, the interior of these new supermarkets typically had crude floors, bare ceilings, no partitions, unpainted fixtures, glaring lights, gaudy signs, and merchandise piled everywhere. One of the earliest supermarkets was the Big Bear Store, which opened in a former automobile factory in Elizabeth, New Jersey, in December 1932, amidst aggressive ads and promotions. These new stores’ reduced selling prices were formidable when compared with established food retailers. This was reflected in their promotional names on signs on the front of the stores and in newspaper advertisements; for example, King Kullen the Price Wrecker and Big Bear the Price Crusher.

Prior to 1930, some of the supermarket concepts used in the East were in development in Texas and Southern California. Besides the drive-in markets, there were self-service food stores in which independent concessionaires operated under a central management. The earliest documented self-service food store was the Groceteria of Los Angeles, founded in 1915 by Albert Gerrard. He would later open the Alpha-Beta stores, in which grocery items were arranged alphabetically to help shoppers find items. Another self-service store in downtown Los Angeles was Ralph’s Grocery Company, which by 1929 had grown to sixteen large, attractive supermarkets. Established in 1872, the company built a flourishing business by offering clerk-service and delivery, but began converting to self-service in 1926, when it recognized self-service’s advantages, chief of which was lower labor costs. It was about this time, the late 1920s, that the term “supermarket” first became associated with the large self-service food stores. It was a marketing invention that through usage became synonymous with this type of food retailing. In 1933, William H. Albers
founded Albers Super Market, formally adopting the appellation “supermarket” for the first time.5

Drive-in markets appeared about 1925 and were located primarily in the outlying areas of Los Angeles and in some of its neighborhoods. A drive-in market was comprised of a group of food stores in a one-story building with parking immediately adjacent. Although each of the food stores was individually owned and operated, shoppers regarded the large market as a single entity. The development of the drive-in market can be attributed to at least two factors. First, expansive Los Angeles did not have a good public transportation system, which forced individuals to use private automobiles to get about and go shopping. This fact was reflected by a higher percentage of automobile ownership among its population than the national average. The other factor was the limited and restricted parking in Los Angeles’s central business district. This prompted entrepreneurs to build stores in outlying areas where land was plentiful and cheap, and where space was available for parking.6

During the 1930s, economic progress within the country was generally slow and sporadic. There were national trends, however, that affected the development of the supermarket. The number of trucks and automobiles on the road was increasing, as was the number of miles of roads. This trend made local products available to distant markets and national products available to local markets, and made it possible for shoppers to travel to out-of-the-way supermarkets to get the best bargains. The radio became a common fixture in the home; consequently, commercials on the radio increased the awareness of and the demand for national brands which supermarkets readily stocked. Advertisements in mass-circulation magazines rendered the same results. By the mid-1930s, competition among local newspapers heightened due to the availability of news wire services. This prompted the newspapers to offer additional spreads such as “food day” editions, which published recipes, food buying suggestions, and supermarket advertisements. More and more homes were wired to electricity, enabling occupants to use household appliances such as refrigerators, irons, mixers, and clothes washers, which gradually became necessities rather than luxuries. These appliances in turn stimulated the development of and demand for new grocery products and necessitated the enlargement of the kitchen space, which encouraged the family to buy more on shopping trips and allowed them to stock up. Thus, supermarkets were destined to become larger and larger to accommodate more products as well as more customers.7

The influence the automobile had on the shopping habits of customers and on the development of supermarkets was considerable. Because the automo-
bile made going to the store easier, shoppers went more often. With more exposure to merchandise, shoppers were more likely to make impulse purchases and large purchases. Because of large purchases, the stores’ cost-effectiveness increased, prompting management to stock more merchandise and a greater variety of merchandise. Since the automobile enabled shoppers to travel to different and distant stores to get the best bargains, it helped increase the competition among food retailers as they fought for the same customers. Store management had to plan for weekly sales and labor costs as customers shopped throughout the week. Finally, the automobile made the size and layout of parking lots increasingly important in the planning of supermarket construction or enlargement.\(^8\)

**GROWTH AND DEVELOPMENT**

As the number of supermarkets grew, small independent grocery stores and combination stores found themselves increasingly squeezed between the large food markets and the powerful chain stores. While some went out of business, others expanded and became supermarkets on their own. Often it was the wholesale food distributors who helped bring these small grocery stores and combination stores into the supermarket business. Small operators usually did not have the expertise or resources to do it on their own, but wholesalers were usually willing to help finance expansions and devise merchandising strategies. Without a doubt the wholesalers were looking after their own interests in the wholesale food trade, supplying exclusively their merchandise to the new supermarkets. These affiliations were typical of 1930s wholesale-retail alliances or associations, which increased and strengthened in future years. When the vast explosion in supermarkets began in the 1950s, many small independent operations were thus able to expand and keep pace as supermarkets.\(^9\)

If small independent operations did not become large supermarkets, they converted into non-super combination markets, or “superettes,” which were similar to supermarkets but more modest in scale. They managed to remain profitable by reducing their operating expenses, largely because wholesalers let them purchase products at a small percentage above what they charged alliance members. In addition, many superettes found niches in local markets that big companies considered unprofitable for their own operations.\(^10\)

The early supermarkets were successful primarily because they sold groceries at 8 to 15 percent below the price level of the traditional service grocery store. Plain no-frills interiors and self-service along with low rent and overhead allowed for low prices that attracted customers, but these stores also
tended to be disorderly and confusing. Its critics, for example, called the Big Bear Store in New Jersey a massive 50,000–square-feet “circus-like emporium.” The experiments in the early 1930s of converting abandoned warehouses, factories, garages, and other large buildings into supermarket operations were soon discontinued in favor of smaller, more orderly supermarkets. Starting in 1935, supermarkets that were attractive inside and outside were opened, and soon the “cheapy” lost favor among shoppers. With the concept of the supermarket proven sound, new capital began flowing into the retail food industry and attractive supermarkets began multiplying in better locations with larger investments in equipment and buildings.

National supermarket chains began laying out model floor plans that illustrated the location of work areas as well as the general arrangement of the sales floor. The next generation of supermarkets was planned from the ground up, starting with parking lot layouts and contemporary designs for the exterior of the buildings. Interiors were designed for space and order. Better refrigeration and freezer equipment, new prepackaging materials like cellophane, and improved lighting, shelving, and signs were used. The sales of meat, produce, dairy, bakery, and non-food products, which in the past were handled by separate concessionaires in the earlier supermarkets, were consolidated into the grocery operation, allowing shoppers to purchase all items at one checkout stand for their convenience. This advanced the concept of customer self-service while supermarkets benefited from lower overhead and increased efficiency and profitability. These aims were further maximized by an innovation that came into widespread use by the late 1930s, the grocery cart. The grocery cart enabled shoppers to carry more items than the hand-held “market baskets” that were commonly used in earlier stores, and consequently, supermarkets gained grocery sales.

Like most other sectors of the domestic economy, supermarket development and expansion were very limited during wartime. In 1941 and early 1942, however, the number of supermarkets increased by about two thousand when many chains and independents tried to beat the impending building restrictions as the country was entering World War II. During the war, food retailers enjoyed robust business, selling nearly everything they stocked because product shortages and rationing pushed up demand and prompted hoarding. This did not, however, mean that all supermarkets reaped huge profits. The percentage of increase in sales for independents was double that of the chains. Under closer government control than independents, the chains could not expand to compete because of material and labor shortages, and their buying power was reduced because of product shortages and price controls.
The chains also had serious labor shortages when many of their male employ-ees entered the armed forces or went to work for better wages in defense plants. The independents, on the other hand, were less closely monitored, which afforded them more opportunities to evade regulations. They were able to develop a “gray market” for products by maintaining a close if not surreptitious wholesale-retail customer relationship. The independents were also more flexible during labor shortages because owners or managers could use their family members to work or could employ less qualified workers, such as retired people, to work part time. Despite the advantages of the independents, the chains did increase sales and profits, and the industry as a whole emerged from the war period in very good condition.

There were a few notable legacies from the war period. Because of the scarce supply of food products and price controls, stores began selling nonfood items such as health and beauty aids and general merchandise to supplement their sales volume. These additions were successful in profits and customer acceptance, and were retained after the war. Stores also began selling more national-brand products than private-brand products because the former returned higher profits and were more available than the latter. Consequently, national brands made substantial gains in market share as customers increasingly shopped for those products. Lastly, the male labor shortages led to an increase in the number of women employed in the retail food industry, an inroad first witnessed at the checkout counter and that quickly became standard practice.

POSTWAR DEVELOPMENTS

When the country reverted back to a peacetime economy, pent-up consumer demand ignited an economic explosion. Consumers went on a buying spree using their savings accumulated from years of labor and rationing. The boom in spending was fueled further by an enormous growth in the population. This was the beginning of good times for the supermarkets. With the experimental phase over and the modern supermarket defined, independent and chain operators began constructing in earnest new stores with larger floor space and parking facilities. Many older stores were remodeled. The national chains had already closed hundreds of small clerk-service stores in the pre-war years, and thousands of small, family-owned grocery stores had closed during the war when the head of the family left to join the war effort. In other words, the country was going supermarket shopping.

In the early 1950s, suburbs sprouted around every urban center in America, helping to relieve the housing shortage that resulted when American veter-
ans looked to settle down and raise families. The availability of home mortgages with small down payments and low interest rates assisted young families in purchasing their first single-family houses in suburban developments such as Levittowns. These types of developments offered new, spacious, and affordable mass-produced dwellings in planned communities located away from aging, congested, and expensive central cities. The exodus to suburbia was helped by a tremendous increase in automobile ownership and by an extensive highway building program throughout the country. By 1960, for example, at least four out of five households had an automobile.17

The migration of people usually took the general direction of north to south and east to west, as did the relocation of old industrial and manufacturing plants and the location of new ones. Along with housing developments, shopping centers were built, usually around a new supermarket. Of course, it was good business acumen to follow the population movement, but builders of shopping centers and supermarkets were also able to take advantage of the low-cost land and less restrictive building ordinances of unincorporated areas. Generally, there were three types of shopping centers. The smallest was the neighborhood type, which had a maximum of ten stores on five to ten acres with one major store, usually a large supermarket, to attract shoppers. The second type was the intermediate community shopping center, which included an additional large retail outlet, often a small department store. This ten- to fifteen-acre development needed at least five thousand families for support. The third type was a regional center, which had a minimum of thirty-five acres serving a hundred thousand people. Although supermarkets were everywhere, they tended to be concentrated in the growth areas of Arizona, California, Colorado, Florida, Louisiana, and Nevada, where they accounted for more than 70 percent of the grocery sales.18

Just as the supermarket became standardized in the retail food industry, so did the way of life for middle-class Americans in their suburbs. The 1950s may be stereotypically but correctly described as a period of conformity and consumerism for the millions of people who lived in mass housing, bought from mass markets, and worked in mass corporations. Two of the most distinctive aspects of this period affecting the development of the supermarket were the “baby boom” and “domesticity.” The surge in the birth of babies in the 1950s contributed to a national population increase of about 30 million, a change of approximately 18 percent from 1950 to 1960. In California, the population rose about 5 million, a change of approximately 48 percent from 1950 to 1960. This was due to an increase in migration into the state as well as more births. Among the 15,717,204 residents in California, over 34 percent
were age eighteen years and under, which translated to a large expenditure of family income on food for growing families.

Closely related to this demographic phenomenon was the exultation of motherhood. The media glorified the role of the dedicated housewife at home with her children. Print and radio advertisements and television programs often pictured the ideal mother in the kitchen. Accordingly, one of the chores that fulfilled this role for the housewife was shopping in the supermarket for her family. Furthermore, supermarket operators themselves promoted the shopping center and the stores in them as a social gathering-place for the American family to increase business. Hence, the 1950s were times of growth and prosperity for supermarkets. From 1950 to 1958, for example, the number of supermarkets increased from 14,217 to 20,413, a 43 percent change. Although they represented only 5.5 percent of all food stores, their sales accounted for 57 percent of the total food sales in the country.

In addition to suburbanization, population growth, and idealization, there were other factors that contributed to the growth and prosperity of supermarkets. Notable was the 80 percent increase in the median income for families and individuals from 1950 to 1960. This enabled people to spend more money, and food stores captured a large portion of it, mostly through the sale of costlier food items and nonfood merchandise. Since the late 1920s, there had been a shift in the dietary habits of Americans from less expensive bulk foods, such as potatoes and grain products, toward more expensive leafy green vegetables, fresh fruits, and meat and dairy products. This change, plus an increase in sales volume of those products, benefited the supermarket because these products netted larger profit margins. Other profitable products that were amply stocked and highly promoted in supermarkets included convenient ready-to-eat foods, such as baby food in jars and frozen foods developed from new manufacturing and processing techniques. In addition to the fact that new products required more space for display, changes in packaging, such as different sized packaging and multiple packaging, also increased the number of products in the store. These developments required stores to carry larger inventories and put sizable investments in refrigeration and freezer equipment, all of which benefited mainly the larger supermarkets rather than the smaller operations, which generally lacked space and financial resources.

**SUPERMARKET OPERATIONS**

Like mass-produced suburban communities, supermarket designs were based on simple, functional designs that could be constructed quickly. But the stores
were expensive to build. Electrical systems, specialized lighting, and large refrigeration and freezer units were some of the factors that drove the cost of building a new supermarket dramatically up from prewar days. Independent operators were behind in the race to build modern supermarkets, but the support and guidance of food wholesalers bolstered the independent segment of the business. This maintained a competitive balance between the chains and independents. The alliance between wholesalers and independent retailers enabled the latter to contract lower wholesale prices, which were passed on to customers. It also enabled retailers to benefit from up-to-date planning, store financing, central accounting, and cooperative advertising, which were mostly managed by the wholesalers, who had greater expertise and resources.23

As more supermarkets were built with standardized features, the customer’s decision about which one to patronize was determined more by prices than by an allegiance to a specific chain or independent operation, notwithstanding convenient location. Price was a tenuous factor for supermarket management when formulating strategies to secure customer loyalty. There were other shopping trends which management had to take into account. Similar to the pre-supermarket days, customers started to patronize food stores less frequently. More people shopped just once a week, usually on Friday or Saturday. Consequently, their expenditure per visit increased substantially. Furthermore, people were willing to travel farther to shop. And where people shopped was greatly influenced by sales advertisements in newspapers, by means of which customers could compare prices. In general, shoppers tended to go to those stores that they believed would give them the best deal in making all of their purchases. In their weekly advertisements, supermarkets often featured “loss leaders,” products that sold at or below cost for the sole purpose of attracting customers. But it was not unusual for shoppers to visit more than one supermarket to stock up on bargain items. Supermarket operators tried to counter this activity by attractively and strategically displaying high-profit products to stimulate impulse buying—the purchasing of items that customers did not intend to buy—as customers entered and navigated the store for sale items.24

Shoppers still gave consideration to a supermarket’s conveniences when making their decisions about where to shop, features that especially enhanced self-service shopping. They presumed correctly that self-service reduced a supermarket’s operating cost, which in turn was passed on to them. For a supermarket, lower prices attracted customers, which helped to increase its competitiveness. With some exceptions, supermarkets were completely self-service by 1960, when meat departments converted. Grocers also turned to other
areas of the store to attract customers. A source of irritation for customers was waiting in long lines at the checkout counters. To speed up checkouts, the counters became mechanized. For additional efficiency and convenience, the stores employed clerks whose primary duties involved bagging groceries and carrying them to the customers’ automobiles.25

In the operation of a supermarket, the essential emphasis was on sales volume. A supermarket’s low prices necessitated a minimum level or better in sales volume to compensate for small gross-margin mark-ups and for even much smaller net profits. In addition, competition forced supermarkets to continuously invest capital to upgrade their equipment and to reorganize their operations, preventing most supermarkets from operating at fixed levels for long periods, which would yield the greatest profit return. Hence, supermarkets were constantly seeking ways to maximize their sales volume, minimize wholesale prices, and optimize their operations to increase profits, remain competitive, or just to survive. The various techniques used to increase sales volume have been mentioned earlier: price appeal, display techniques, self-service, attractive and convenient facilities, advertising and promotion, large but well-managed inventories, and diversified lines of merchandise.26 But sales volume, no matter how high, became pointless if supermarkets did not turn a profit because of excessive sales of “loss leaders” and the insufficient sales of regular-price merchandise.

The chain, large independent, and small independent supermarkets utilized various means to minimize wholesale prices. Chain supermarkets and large independent supermarkets integrated their wholesale-retail operations by performing more wholesale functions and engaging in some manufacturing capacities. As a result, their merchandise cost less than that of small independent supermarkets that purchased from regular wholesalers. In the extremely competitive, high-volume, and small-profit margin supermarket business, even a 10–cent price advantage on a case of tomato catsup, for example, was significant. Small independent supermarkets reduced their wholesale prices by joining voluntary or cooperative wholesale-retail alliances to procure merchandise at reduced prices. As mentioned earlier, depending upon the relationships, additional benefits for the small independent supermarkets were available from the wholesalers.27

There were basically two types of buying affiliations. One was the wholesaler-sponsored voluntary association, which was owned by its wholesale and retail members. It managed many activities, including contracting with manufacturers to pack merchandise for its wholesalers, making large purchases from manufacturers, and arranging discounts for retail members. The largest
of these affiliations was the Independent Grocers Alliance of America, commonly referred to as IGA. The other principal buying affiliation was the retail-sponsored cooperative association, in which a group of retailers formed a cooperative to purchase some or all of their common merchandise from wholesalers. In some cases, the cooperative owned and operated its own warehouse; for example, United Grocers of Sacramento. Members purchased merchandise at cost, plus an association fee and transportation expense.28

To optimize supermarket operations, management diligently tried to reduce expenses. The major expenses of supermarkets were payroll, salaries, rent or real estate costs, advertising, and store supplies. But management invariably targeted payroll because the other costs tended to be fixed or much less adjustable in the short term. In the supermarket business, big profits or losses could occur quickly from small adjustments. Cutting labor costs took into account the amount of business projected for a coming period, the result of which was often contingent upon what the competition was doing. With the cost set, a supermarket’s profit was realized when the sales volume exceeded the break-even point. As sales rose, the profit percentage and the absolute dollar profit increased until some additional costs incurred.29

**COMPETITIVE PRESSURES**

Supermarkets continued to prosper and expand in the 1960s because of a healthy economy and a growing population, but the decade ended with increasingly fierce competition. The average number of items carried by supermarkets grew from 5,900 in 1960 to 7,800 in 1970 as new products filled the shelves. The stores became larger, with the space of the sales floor ranging from 16,000 to 20,000 square feet and some reaching 30,000 square feet. The “standard” model store gave way to supermarkets that were carefully planned for specific neighborhoods, appealing to particular types of customers. New departments such as service bakeries, delicatessens, and prescription drug counters were added to the typical supermarket to cater to the busy lifestyles of families with working spouses and large disposable incomes, saving them time and labor. Installing larger-capacity refrigeration and freezer units became necessary as more convenience food products came into market. All of these changes, of course, required considerable investments, which the chain and large independent operations usually had the means to do. Older and smaller supermarkets, on the other hand, acutely felt the competitive pressures because they were unable or unwilling to change due to the lack of resources, expertise, or other reasons.30
The 1960s ended with a notable trend. National chain companies led discounting on a total-store scale, reducing overall price margins by 2.5 to 3.0 percentage points to attract more customers and to retain their shopping loyalty. The result was a greater growth in sales for the chains compared with independents. Independents, on the other hand, were not able or willing to discount their products as rapidly as the chains. They lacked the managerial and technical expertise for a transition of such magnitude. Because they had exceptional sales and profits in previous years, some came to believe that discounting was not an immediate concern. Independents that did discount had to rely almost totally on wholesalers to plan and execute the selective price reductions.

Technological advancements and government regulatory changes benefited both supermarkets and shoppers. The use of computers in data processing cut costs in operations at the retail level as well as food distribution in the wholesale level, enabling the whole system to run more efficiently. Shelf space, for example, was evaluated and assigned on an item-by-item basis. Government regulations required unit pricing, open code dating, and other measures that provided consumers with relevant shopping information. Supermarkets initially resisted these impositions, citing increased costs to implement them, but when consumers responded favorably, supermarkets embraced the regulations. But as progressive as these technologies and measures were, they necessitated large investments. The vicissitudes of the retail food business, especially for small independent supermarkets, did not guarantee their cost-effectiveness. Over time, however, stores that invested in new technologies usually found their business firm, if not more profitable; stores that did not invest usually encountered difficult times. Nevertheless, there were some small independent supermarkets that remained profitable because they found niches in local markets that did not demand the latest supermarket trends.

Prior to the 1960s, companies opened stores in unserved locales or remodeled smaller stores that still had good business. Direct supermarket-to-supermarket competition was generally avoided because of easy opportunities. After years of building, however, nearly every community had a supermarket, saturating the markets and limiting the possibilities for expansion. The companies then started competing directly with one another, opening supermarkets at the same locations. This new competition tended to favor the larger companies. Some supermarkets, however, did not face any direct competition because their local markets were too small or their locations offered limited potential for other companies. These stores were usually located in old or impoverished neighborhoods.
Traditionally, company earnings and creditors’ capital financed the building of new supermarkets. As supermarkets became larger, borrowing became the principal means of financing. This was possible largely because a bigger percentage of the total assets of the supermarket was now in fixed assets such as equipment and building, which was preferred collateral for creditors, rather than in inventory, as was common in the past.\textsuperscript{34} Inasmuch as good profits encouraged companies to expand, expansion was necessary to continue steady profits in the high-volume-sensitive industry. In expansion, large companies had an inherent advantage over small ones in that they were able to spread the liabilities of their new or unprofitable operations over more outlets and over a wider geographical area until those operations became profitable or had to close. Accordingly, their ability to borrow money was easier and cheaper than that of small companies. Furthermore, the rates they paid for capital were less than the profits that accrued from the use of the capital. Hence, the more profits the company made, the cheaper the loan. In large companies, the amount of the creditors’ capital was often greater than the owners’ or shareholders’ stake. And large companies had more marketable securities to acquire additional capital. In contrast, small companies found it difficult to secure outside capital, especially when interest rates were high and rising, which forced them to rely primarily on retained earnings to open new supermarkets.\textsuperscript{35}

When small companies, particularly local chain operations, wanted to lease sites in shopping centers to open new supermarkets, they found it nearly impossible. The huge insurance companies that invested in the development of most prime-location shopping centers wanted national or regional chain supermarket companies as tenants under long-term contracts. Consequently, small local chain companies were usually shut out by leasing practices from expanding into preferred shopping centers. In addition, the economy-of-scale favored the expansion of national chain and regional chain companies. They could better utilize their warehouses, transportation equipment, and manufacturing facilities by spreading their costs over many outlets acquired through building, acquisition, or merger. A simple example of economy-of-scale was the spreading of their weekly newspaper advertising costs over many stores. In sum, as the supermarket industry progressed, everything appeared to be stacked against smaller companies, the small local chain as well as the independent. The trend was toward bigger in terms of store size, sales volume, and number of stores, imparting credence to the adage “big begets big.”\textsuperscript{36}

In Northern California, the supermarket business reflected the national trends of the industry, and more. The 1970s and 1980s witnessed what appeared
to be frantic attempts to capture shoppers’ patronage amid the vicissitudes of local economic and market conditions. National and local companies tried a variety of means to hold onto their regular customers as well as to bring in new ones. Some were successful, while others proved ineffective and faded within a short period.

National chain companies offered total-store discounts and a moderate price decrease on all merchandise. This became one of the most successful marketing strategies and was soon copied by most competitors. National chain companies were able to implement total-store discounts because of their access to financial resources, which were used to purchase or lease expensive computers. Closely related to the discount method, which came and went depending upon the economy, was the warehouse shopping experience, in which customers shopped from a reduced variety of deeply discounted merchandise and bagged their purchases themselves.

On the other end of the cost scale, some local companies revived the awarding of savings stamps for purchases, but the use of premiums was not effective. A short-term promotion that many stores used was the sale of discounted non-food merchandise, usually dishes or kitchenware, when customers made large purchases. Small local chain and independent companies offered raffles and in-store coupons to their customers, an inexpensive strategy. Many of the small companies also continued to advertise “loss leaders” in their weekly advertisements in newspapers to distinguish themselves from other grocers. National chain and large local companies, on the other hand, promoted their numerous departments, abundant selection of merchandise, and customer services that only they could afford and offer to shoppers.

The vast complexity, high capitalization, rapid changes, and intense competition in the supermarket industry were very apparent by the end of the 1970s. These factors eventually took a toll on many small and large companies, including nearly all of the Chinese American supermarkets that were major competitors in Northern California. In the early years of the supermarket industry, Chinese American operators were able to implement many successful methods of management and merchandising because their operations were simple and inexpensive. They opened stores in large low-rent buildings located away from urban centers and offered one-stop shopping that included meat, produce, and dairy as well as national brand-name groceries. They used bold price-oriented advertising to bring in customers. They formed cooperatives to lower purchasing costs from wholesalers and to share advertising costs. During the postwar period, they imitated the layout of national chain supermarkets in planning, constructing, and equipping their
stores. But what distinguished Chinese Americans’ supermarkets from their competitors were their lower selling prices, which resulted from lower labor costs. Combined with an expanding customer base, it was no wonder that Chinese American supermarkets were highly competitive and profitable in the 1950s and 1960s. During subsequent decades, however, they gradually lost their competitiveness to the national chain and large local chain companies. Unwilling or unable to keep up, Chinese American operators began selling or closing their old supermarkets. The few remaining operators developed small or medium-sized shopping centers, in which they located their supermarkets, or became tenants in new shopping centers in new suburbs. But most of these shopping centers were not at prime locations. Like their predecessors, they eventually succumbed to the costs, changes, and competition in the industry.