

# The great atlantic and pacific tea company

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The Great Atlantic & Pacific Tea Company For decades The Great Atlantic & Pacific Tea Company (A&P) had dominated the US food and grocery market. However, with its size had come increasing managerial inefficiencies and an inability to respond to demands of changing market. A very crucial error was made in the 1950's when A&P failed to follow customers in their move to suburbs. The result, which plagued the supermarket chain into the 1980's, was a large number of small and inefficient stores serving declining urban neighbourhoods.

In 1971, William J Kane took over as chairman and CEO of A&P. This was a time when company sales had leveled off and profits were declining. In an effort to overcome this slide, Kane ordered the conversion of thousands of regular A&P units to "WEO" supermarkets, which were described as super-duper discount stores. The average WEO store looked much the same as an old A&P and was about the same size (which was rather small and cramped by industry standards).

The big difference between WEO's and company's conventional units was lower prices on 90% of the merchandise and a reduction in the variety of production offered from an average of items (SKUs) to as few as 8000. Chairman Kane summed up the company's philosophy regarding this move as a "Tonnage recovery Program", which emphasized volume business. He hope to attract many former customers by employing low prices, unfortunately the food costs began to skyrocket about the same time as WEO was instituted. The pressure caused by the price cuts was too much for the company to bear during this period.

Therefore, prices were increased and the resulting market response was influential in causing further deterioration of the food giant. In 1973, the retail chain lost its number one market position to Safeway. Jonathan Scott took over Kane's position in 1975 recognizing that the retail chain had far too many deteriorating stores in declining urban neighbourhoods. Scott embarked on an ambitious program to close more than 1200 unprofitable locations. Unfortunately, hindsight revealed that what was also needed was an entire withdrawal from certain geographic areas to achieve efficiencies of operations. In an effort to regain market position, Scott responded by introducing the ill-fated "Price & Pride" advertising program. This advertising campaign focused on telling A&P employees and customers that the company had made a rebound and was concentrating on delivering quality products in attractive stores at low prices. It was a spirit - building campaign. Modern Stores with pleasing wide aisles served as a backdrop to the ads. The Price & Pride Campaign was quite successful in luring customers back to A&P.

Unfortunately, shoppers' expectations were built on the attractive scenes shown in advertisements, and many were disappointed when they returned because most stores had not really been dramatically changed. As a consequence, customers again left in substantial numbers to shop at competing stores. During the mid 1970's, an ambitious program was undertaken to build many new and modern A&P stores and to remodel others. Regrettably, action fell behind plans. For example, in 1977 when 70 new stores were planned only 46 were opened due to an inability to manage the program.

Remodeling also fell far behind schedule. The Price and Pride program was finally abandoned in Jan 1978. Even before this occurred, Scott began to look in earnest for new ways to get the slow moving giant moving heading in the right direction again. Once result was that a new promotional theme was adopted: " You will do better at A&P". Along with this , three major steps were taken. First , " action prices" were instituted to pass manufacturers specials directly on to customers in the form of lower prices. Second , Generic products were offered in many stores.

These plainly labeled packages were placed in " economy cases" . located in special parts of the store. The result was that for some products customers could choose between national brand, A&P private labels and generics. Third, trading stamps were instituted in many areas. Although some of these measures may have been helpful in slowing the retail chain's decline , they certainly were not sufficient as a long run turnaround solution. In 1979, the diminishing giant fell to the 3rd position in the supermarket industry and showed signs of serious problems .

During that year , the Tengelman group , which owns a large supermarket chain in Germany at the time was able to acquire controlling interests in A&P for an attractive price. James Wood was brought in to replace Scott . One of the first moves of James Wood was to stop closing stores . Instead , a number of units were converted in to " Plus Store" which were " limited assortment" unit stocking thousands of essential products far less than the 12000 products found in a general supermarket. The stores were also " no frill" in design.

Goods were kept in their cartons , as opposed to being placed on attractive shelevs , and shoppers had to purchase their own paper bags. The emphasis was on offering bare bone services for low prices. However , perhaps because shoppers could not fulfill all of their shopping needs at Plus Stores, and because prices were not really drastically lower than their competitors , the Plus Stores proved unsuccessful as A&P entered the 1980's.

1. Does it seem that A&P has tended to favour any particular model or models of buyer behavior? What appears to be the degree of success that has resulted? . Evaluate the relevance of understanding consumer behaviour knowledge to developing a marketing plan for A&P ..
3. What additional information about customers would you as a CEO like to have before designing such a plan ? How might such information be acquired ?
4. Trace the development of A&P operations from 1979 to present - based on library research.
5. Discuss major concepts from Day 1 seminar discussions you see apparent in this case.
6. What is your personal opinion was the one major flaw in the way A&P went about its effort? Support your argument with reasons.