Fred Meyer

SR 9474, Oral History, by Gerry Pratt

1970 August 25

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Reel 1

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GP: Fred, we say that you were here 50 years ago; it was really 60 years ago I think.

MEYER: Yes.

GP: In a market on First and Washington.

MEYER: Yes.

GP: Selling what, groceries, the same kind of things you're doing today?

MEYER: Generally. Rented out everything. We just run the coffee department and rented all the rest.

GP: Coming here like you did, you'd been to New York City, you'd been to Alaska looking for gold, you'd been through the prairies in the eastern part of Washington and farming wheat. And looking at the city in 1910, could you see anything of what was coming today? What did the promise look like to you in those days?

MEYER: It was a good river seaport, like many other river seaports all the way from London to Paris and figured that the country would grow. It had natural resources such as wheat and grain and fish. And so - but like a fair market. But we didn't care a great deal about whether it grew. We came here to have a good time.

GP: You weren't looking in those days, like you look today, when you project new stores and you project new centers and you project long term capital investments. It wasn't any of that kind of thinking?

MEYER: We liked the fishing and we liked the countryside and it was a pleasant place to live after leaving crowded New York.

GP: Were those the days when you doing the coffee peddling from door to door?

MEYER: We branched out from the old Washington Public Market into coffee peddling. We had a coffee business. We started building coffee routes from there because everybody wouldn't come downtown. We had to go to them, like we do today.

GP: What happened to the old routes? We used to have the Watkins man come and the Fuller Brush man, and coffee peddler come, and the baker come, and the milkman come. Now they're all gone.

MEYER: Well the margins were very long and the labor was cheap. Now the margins are short and the labor is high, so you can't do that. We used to make 20 cents a pound on coffee, we now lose 4 cents. Can't pay many people to do that.

GP: We do hear super markets say they lose money on an item like coffee. Do you really sell it for less than it costs you?

MEYER: Generally you do. Generally as leaders and…

GP: They say you make it up on the string and the shopping bag?

MEYER: [Laughs] Well the average it costs and people want leaders and they're not happy unless you give it to them, and you got to give them leaders.

GP: You know if anybody analyzes the growth of the Fred Meyer Corporation up until about 1959, your company was largely a very low cost, in downtown central. You had four or five stores downtown and doing about 30 million a year. In the 10 years that succeeded that from the 1960s through the '60s to 1970s, you've come to a point where you are almost doing about 300 million dollars a year. What happened in the past 10 years to ignite this company? Your company.

MEYER: Well we went public when Mrs. Meyer died. We had a very high estate tax to pay and we went public. When we went public we had stockholders, and they want dividends and I had to go to work. And to pay dividends you have to expand and make profits. They'd meet me on the street and want to know how the stock is doing. So before that we didn't work very hard.

GP: You mean before 1959 you weren't trying?

MEYER: Well, Mrs. Meyer and I enjoyed life a great deal together. But after that, there wasn't anything left but work.

GP: When you look today at the company, the company is pretty well saturated in the Portland area. You've opened a big store in Seattle. What do you see now? You're doing, as I say close to 300 million a year. Where can you go? A Portland firm, is there that kind of growth in the business?

MEYER: There's always places to grow; there's never any end to growth. I suppose pioneers that came here couldn't sense where the country was going to grow to when they cut off the timber and got rid of the fish, but they still find new opportunities, don't they? We have Tektronix and those kind of companies that build industries here and give employment.

GP: In my job, in reporting on business. I know there are guys who come here from British Columbia, there's guys who here from New York and Chicago and Detroit to study this operation you run and it's known as an innovative operation. What are some of the things that were really born here in this business?

MEYER: Well, we probably first worked self-service, with the accent on service, not on the self, more than most people did. Tried to find what people wanted. By the means of self-service costs were reduced and by reducing the costs, why, people had surplus money to buy other luxuries. So we had added those to our operations like cosmetics and apparel and other things.

People now spend only about one fourth as much for food as they did when I first went into the food business, out of their wages. Especially of groceries, the costs have been relatively reduced about 60%. Percentage wise, not in dollars but percentage wise. People used to spend around 45% of their income for food, now they spend about 18.

GP: Starting, as you did, from scratch to the biggest merchandising operation that's come from this state. Could you do it again today with the obstacles, with the government involved in business like it is today? With the unions involved today. Could somebody duplicate this today, starting all over again?

MEYER: Not only could they, but they are doing it. We find many innovators always entering the field. So we're…

GP: It's no tougher now then it was then, eh?

MEYER: Well, relatively, it's tougher, but people are getting wittier, they're sharper, they know more than they did then, more competitive than they were then. We used to live pretty easy those days.

GP: We've seen in the past couple of years, housewives motivated by high prices, motivated by inflation, picketing the supermarkets. I think supetmarkets today on a nation average operated at about one and a half percent profit on growth, is that right?

MEYER: Yes.

GP: What is the cost factor that they're picketing against? Where is the room for bringing these costs down that they want down? Or is there room for getting them down?

MEYER: Well, they're really not picketing the food markets. They're picketing the cost of living. And the people they find closest to them and that they meet the often-est are the food people, so they pick on them.

Food costs, as I said earlier, have been reduced in relation to the wages they get, two thirds in my 60 years in the business. Well, the costs of government have gone from 5% up to 40% of the wages. The average person earning a fair wage has to give to the various governmental bodies about 40% of their income. They only give 18% to the food merchants, so they should really get after the political boy, not the food merchant.

GP: You went through 1929 and 1930 in this country and in this city as a businessman and watched it crash around you. Recently, not too long ago, we saw the Penn Central, the largest railroad in the nation go bankrupt. There have been very unsettling things in the stock market. People have become a little alarmed about the situation. Our unemployment factor is now about 8% in the state. I think the average for the entire Depression was only about 17%. Do you feel uneasy about these times today?

MEYER: No, no. No, peculiarly this is the first time that I can recall in our history that a political body has tried to slow down inflation. And they get in trouble doing it, but if they didn't and had let inflation go on, in my opinion we'd had real trouble. So what they're trying to do is a very useful thing and it will work out satisfactorily, if they will let them try to work it and stop the wild inflation.

GP: You don't see more bankruptcies of the Penn Central type? People have a hundred million dollars in certificates of deposits in there. People out here held bonds in that company, and nothing could have been worse for them than for that to go broke because their bonds are relatively useless today, their C.D.s [Certificates of Deposit] are washed down the pipe. Those people have gone through pretty much what the people went through in 1929. Do you see any more of this kind of disruption as a result of trying to slow this down?

MEYER: There'll be mismanaged companies that'll go bankrupt. There always has been and always will be, and that company was mismanaged. As it's so harassed by political and labor factors that they just couldn't service the way they should, and the management didn't know how to adjust to the modern times.

GP: Let's look at labor costs today. We're getting an awful lot of this from management now. The teamsters, I understand, have just signed a major contract with a downtown department store in this city, that's going to be quite oppressive to them in terms of profitability. You have how many unions in your stores?

MEYER: Oh, scattered over the Northwest, about 27.

GP: Is labor factor and labor management and labor demands really beginning to affect the viability of the health of business as an entity? Seriously, is it threatening business?

MEYER: Well, as they increased their wage demands, and the wage costs go up, unless they increase the productivity, why naturally, the price have to go up because it don't come out of a blue sky. If you pay more wages, and pay more rent and pay more taxes, why, it has to go on to the costs of the things that they buy. Because you said one and half percent net in the food business it was only 1.1 last year. On every dollar sale it was only one and one tenth cents left for the operator, how much more can they pay out of that?

GP: I've had men on this program like John Gray, and Glenn Jackson who have talked about perhaps an eroding of the capitalistic system in terms of a free enterprise system where we're getting now to the point where Sweden is maybe or some of the more socialist oriented countries. Do you see that for this country? Are we on the road to socialism, irrevocably? Is this where we're going?

MEYER: There'll probably be a compromise between the socialistic and the capitalistic system. Our people are not normally socialistic minded and there'll be probably some of the monopolies, that not well-run taken over by governmental bodies. Any monopoly has a tendency to become inefficient and as it becomes inefficient, why, the public complains about its operating costs and they may take over more of them.

GP: Let's look at a monopoly that your company, the Fred Meyer Company, opposed in this community, and it will be a monopoly and that's the public transit proposal. Your company was one, with Tektronix, another, that really opposed this, this payroll tax that they've imposed to support this thing. This One percent, one percent of all dollars you pay up in payroll you have to pay…

MEYER: One half percent.

GP: One half of one percent, you have to pay in taxes to support TriMet, you opposed that.

MEYER: Well it reminded me of King George III, when he imposed taxation without representation. The people had no chance to vote on it and they're going to have to pay the tax on the things they buy; in a democratic system you shouldn't impose a tax without the consent of the people. The people didn't give any consent to that; it was an arbitrary charge, just like King George III did. And we had a revolution over that. And have a few more, we'll have revolutions here.

GP: I know in talking to you, that you have a great fondness for Benjamin Franklin. I'd like to play a game with you for a second.

In looking through the history, recorded history of man, I'm trying to explore a little of bit of your philosophy in management and your philosophy as a citizen. If you were able to choose five people or four people from all of our recorded history that you could talk to for a half an hour, who are the people in history that you think you could learn the most from, or that you would most enjoy talking to?

MEYER: Well, Ben Franklin of course, is one of the favorite ones.

GP: You'd choose Ben Franklin first.

MEYER: Lincoln would be a good person and Thomas Jefferson. Probably Socrates. And Confucius.

GP: You have five.

MEYER: Is that enough?

GP: That's enough. Let's go back to Ben Franklin. What do you think that Ben Franklin could add that you don't already know, or that we aren't already aware of in this time? What kind of things could you talk to Ben Franklin about and come up with today to solve some of these problems?

MEYER: Well, Ben had probably had the keenest vision, the keenest eye and the keenest ear of any man we had in our United States history. And he could sense what people wanted and needed. I couldn't tell what he would see now, if I was keen as him, why, I'd be Ben Franklin. [Laughs]

GP: What are some of the things that make you think that he would be this current, today?

MEYER: Well, he did in every condition that he met in his time. He sensed the needs, everything from bifocals to Ben Franklin stoves and post offices and savings associations, and built institutions of learning, and every other factor. He had a versatile mind.

GP: One of the people you passed up in this selection, this fictional selection of five great people to talk to was Christ. I'm wondering about the omission there.

MEYER: Well, they don't consider him a person. He was a semi-deity.

GP: We're looking today, and you in particular in dealing with the public, with what most people call a new kind of youth in America, particularly here in the West. Do you feel that the young people today are any different from the young people you were dealing with 10 years ago? 20 years ago? 30 years ago? 40 years ago? 50 years ago? You've watched two or three generations come on and in and out of your stores. Are they really that much different today?

MEYER: The difference is in those days, they were under more control. The inhibitions were stronger. You had tramps those days; now you call them something else. They lived in camps and had jungles; now they have jungles in the city. There were less of them then than now, because the inhibitions were greater. They didn't eat so readily. If they would come to your backdoor and ask for a handout – but if you had as many as you have now, why, you wouldn't give them a handout. They did, those days, to the tramps and the hobos.

Hobos were necessary. Hobos were hoe boys they went from - like your transient labor now on the farms, they did the hoeing. That's why they call them hobos or hoe boys. But tramps were like now, half [of them] that don't produce anything and just live off the land. They weren't a nuisance, as long as there were not too many of them.

GP: Was it the same youth oriented people you're talking about now in those days?

MEYER: Yes, the same thing.

GP: The young people that were doing this.

MEYER: Yes.

GP: Those days were an economic necessity for them, though, wasn't it? The parts that I remember in the 1930s.

MEYER: No it wasn't, most of them just liked to ride the rails and see the world.

GP: So these are not really much different?

MEYER: Well, except less controls now and more opportunities.

GP: But, the same motivations and we can count expect them to come out of it the same way?

MEYER: Well, the difference may be some of them have taken up the Eastern philosophies and…

GP: Yoga? And this kind of thing?

MEYER: Yeah like that, which makes a difference and if you get enough of them, we'd be like India. We wouldn't produce, and live in the world of dreams.

GP: One of the things that your company got national attention for is the past few years was a case you fought to the Supreme Court of the United States. And this was on your right to reduce prices in terms of coupons and Fred Meyer giveaway books that induced people to come to your stores. You were selling for less than it cost you.

MEYER: No, we weren't. No that's a mistake. We were buying so we could sell for less. And the suit wasn't on selling too low, it was on buying too low. Which, to me, is silly.

GP: You lost the suit, didn't you?

MEYER: Yes, because we were buying cheaper than some other people, and because we sold more of an item. The United States was founded on the idea that you could have a freedom of choice and buy as cheap as you can.

GP: It was a competitive thing, anybody else could buy as cheaply, that could do it as cheaply.

MEYER: Yeah, anybody could do the same, but they didn't. So.

GP: But you went in the Supreme Court and the Supreme Court said no, you can't do this anymore; it's unfair competition.

MEYER: Well they said two things, we couldn't do it but they particularly said the supplier couldn't sell us cheaper than they sell others. See?

GP: So today, the supplier does sell everybody, because of that law, at a uniform price?

MEYER: Oh, they try to.

GP: This is an example of government coming in today and, perhaps not in your business but in many businesses, people complain that government is coming in, telling them how to run their business.

MEYER: Well you have many theorists that get into government that can tell you how to run a business. They couldn't run a peanut stand, but they can sit up in the bureau in Washington and tell you how to run everything. As I said earlier, they run the cost of government from 5% of our income to 40%, and yet they tell you how to do it.

GP: You think this is a threat to the viability of business, government in business today? They're telling you now in terms of pollution, they're telling you now in terms of pricing, they're telling you now in terms of management and labor relations. It's becoming more and more a government business. Is this a threat to business? The existence of business?

MEYER: Bureaucrats are just like other people, if there's a balance of power, they're safe. When they get autocratic power, it doesn't make any difference, whether they're in business or in the government or anything else. All autocrats get drunk with power and become dangerous. So any autocracy is bad, whether they call it a government body. If you give me a monopoly and all the food in the United States that would make me an autocrat. I'm afraid I'd be in trouble. [Laughs]

GP: I want to look for a minute at the years, the 60 years that you formed this company and made the Fred Meyer company a 300 million dollar enterprise, doing 300 million a year. Was there any breaks in there for you? Do you look back and remember anybody who came along and helped you when things were tough? You've told me when the crash came the hat rose off your head and you had to go back to work. But was there anybody in this career that pitched in with you or came at the right time?

MEYER: Not in a crisis, no not in crises. When I was young, there were many good guidances that we would use for counselors. But in the crises, we had to work those out ourselves, because the rest of the people were as confused as we were. And they couldn't give you any better counsel than you'd get at a morning meeting in church.

GP: One of the people you quote is J. Paul Getty, the oil multi-millionaire, in terms of crisis. Do you have advice for young people today that maybe are facing a crisis today, or might that have been wiped out in this market or who are faced with, really, the personal problem of getting around and making a business grow in tough times. Do you have a philosophy you can give them?

MEYER: Well, when we saw the bureaucratic tendency coming in the Roosevelt Administration, when he set up all these bureaucratic divisions and they made arbitrary decisions - many of them were foolish, but they had the power because they had the bigger army and navy then we did. Why, I asked a great many people for counsel, and I got the best one in Washington D.C. by one who knew the government's operations there. He was very wise and he says, "We'll have to use our own spontaneous ingenuity." And I figured that was the best counsel I could get.

GP: Spontaneous ingenuity and looking ahead now. You didn't when you began 60 years ago, but today I know you are looking ahead, today I know you broke the biggest store in your system in Seattle. Today you're planning in Eastern Oregon and Eastern Washington. What do you see for this city in the next 50 years?

MEYER: The city will be as good as the leaders in the city. If you get good leaders, you'll have a very great city. If you don't have good leaders you'll just be overcome just like any other business, by other cities. We have competition, we have Seattle to the north and San Francisco to the south. If we don't see the opportunity in overseas trade and make it a seaport, we'll be like some inland cities like Spokane, or Eugene. It's a seaport that makes a difference and if we don't learn how to take advantage of our seaport - there are many great cities on rivers like ours, Paris is on the Seine, London is on the Thames. But, they have merchants that go out for overseas business and get outside monies.

GP: You feel this city is acting now as if it has a future?

MEYER: Most of our people are still inland minded, they don't sense the overseas business. There are about a billion people around the Pacific Ocean. If we could sell every Chinaman one apple a year, there's not enough apples growing in the Northwest. If we sell every Chinaman one onion a year, we don't grow enough onions to supply them. So it's a matter whether our people are wise enough to service them.

GP: Where do you see the big city for Oregon's future then? You make it sound like Astoria…

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