

1929, he arrives at the following figures as representing the "per cent of total spread to retail values" of consumer goods.

Year	Per cent
1909	35.76
1914	35.34
1923	36.27
1929	34.81

These figures do not include manufacturers' selling costs. Mr. Lough's conclusion is that "no well-defined trend of wholesaling-retailing costs, either up or down, is discernible." Mr. Lough goes on to examine manufacturers' selling expenses, and finds evidence of a possible slight increase, probably amounting to less than one per cent of the consumer's dollar. His final conclusion is that there is no justification for the statements that distributing costs are becoming more and more burdensome.

Cost Trends in Individual Trades

The second approach involves examination of figures in individual trades over a series of years. There are presented here certain figures showing operating costs in department stores, specialty stores, retail jewelry stores, retail hardware stores, wholesale hardware houses and wholesale druggists for varying series of years.

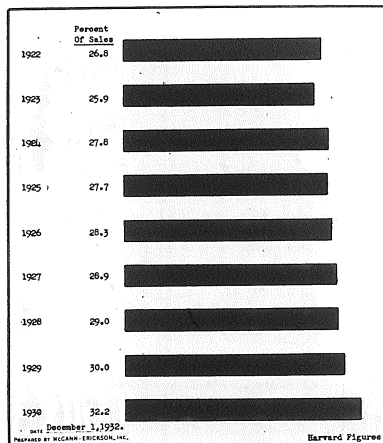


CHART I. OPERATING EXPENSES OF DEPARTMENT STORES WITH LESS THAN \$500,000 OPERATING EXPENSES.

The figures for department stores and women's specialty shops are hardly typical of all retail establishments because it is in this field that there has been the greatest rivalry in the development of extraordinary services. It will be noted in general that costs have jumped during periods of depression, such as 1930, 1921 and 1914, but that they have declined again immediately afterward. In general, also, costs have shown only fractional changes during periods between depressions, sometimes declining a little, more often showing slight increases.

Attention is especially called to the figures showing operating expenses of wholesale druggists, which admirably illustrate the points that have been discussed above. These run back to 1878, and are the earliest operating cost figures which the reader has been able to find. The existence of these figures is due to Mr. W. A. Hover of Denver who, as a member of the National Wholesale Druggists' Association, was a pioneer in collecting this sort of data.

It will be observed from these figures of wholesale druggists that costs showed increases in the depression years, and tended to level off, or even decrease, during normal or prosperous times. On the whole, however, costs have gradually risen in the past fifty years from around 9 to 14 per cent. This has been due to the larger and more complicated task that wholesale druggists have been called on to perform. For example, there has been an enormous increase in the number of articles that a wholesale druggist has had to carry. In 1883 the largest distributor of proprietary articles in New York listed less than 5,000 proprietary items; in 1906 the number had increased to nearly 18,000. Since proprietary items account for over half of a wholesale druggist's business, this increase in number of items meant greater investment in stock, increased warehouse facilities, smaller orders and more frequent deliveries.

As for smaller and more frequent orders, fifty years ago the retailer ordered in fairly liberal quantities. Even in 1920, before

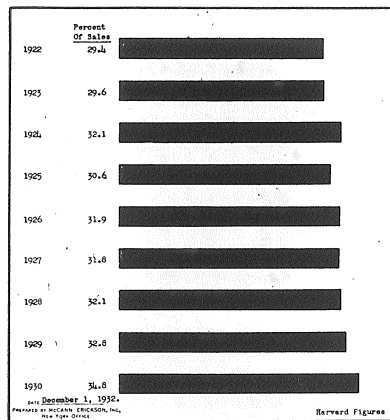


CHART II. OPERATING EXPENSES OF SPECIALTY STORES.

the hand-to-mouth buying era is supposed to have started, 75 per cent of the drug jobber's proprietary business was in lots of one-fourth of a dozen, one-sixth of a dozen, and one-twelfth of a dozen. Only 12 per cent of his business was in lots of one dozen or over.

In other words, the gradual increase in jobber costs has been due to constantly increasing size and variety of stock, as well as unpacking and repacking, to increasing complexity of service, due to delivering and accounting for broken lots, and making more and more frequent deliveries. That the wholesale druggist

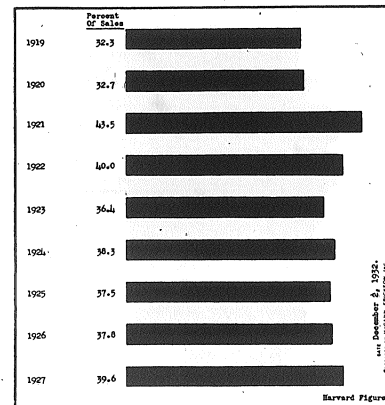


CHART III. OPERATING EXPENSES OF RETAIL JEWELRY STORES.

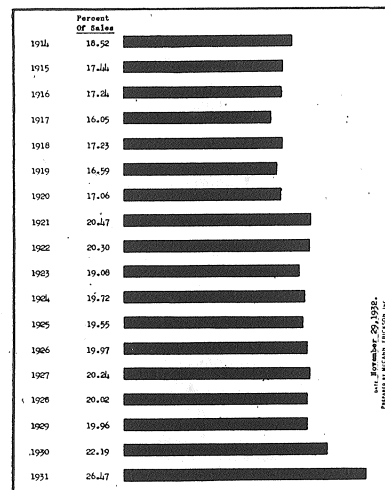


CHART V. OPERATING EXPENSES OF WHOLESALE HARDWARE HOUSES.

has been able to keep costs down as well as he has, indicates a high degree of efficiency rather than the reverse. And this development is typical of all trades. It gives us a new point

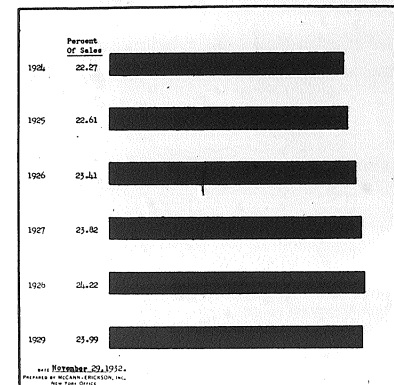


CHART IV. OPERATING EXPENSES OF RETAIL HARDWARE STORES.

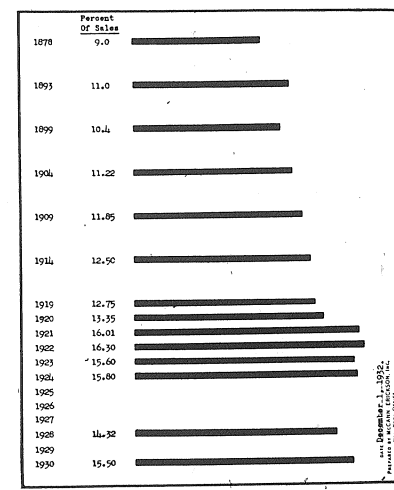


CHART VI. OPERATING EXPENSES OF WHOLESALE DRUGGISTS.

of view with regard to the efficiency of the marketing system. Although these samples of operating costs in six different trades constitute a very small part of all marketing activity,