January 1977

F - Bringing the F.B.I. Under Control
B - Ethics at Federated: Situation I - Ralphs & copyrights.
Situation II - But Bullock's Does It!
A - The Editor Speaks - (points covered in speech to Touche Ross retail industry people -- current value reporting, etc.)
Giant Stores Revisited

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F - "Wards Accused of Failing to Explain Credit Denials"
B - The Risk of Selling Credit Customer Lists
A - Retailers Love to Gamble (long-range weather forecasts)
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Commercial Bribery (Minolta)
Carter's Token Female as Secretary of Commerce
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How to Get Employees to Eliminate Their Own Job
The Standards of Tandrycrafts
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On the Passing of Sam (Kline)
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Consensus: Working for Agreement

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F - "Short-Short Catch-Up"
B - A Matter of Ethics (Richard Rich's standards re Piedmont Driving Club)
A - Apology - (prev. article on Giant Stores, not Giant Food, Inc.)
Changing Consumer Attitudes (3rd Nat'l. Survey)
Who Turns Down New Accounts?
Consumerism in Europe
Little Change in P/E Ratio for Retail Stocks in 1976
To Assure a Meaningful Disclosure of Credit Terms
The Imperfections of Reported Weekly Retail Sales
The Fine Print Didn't Protect Fingerhut
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F -Look Who Found Me! (Mail Order Catalogs received)
B - A Matter of Ethics (Mkt. owner pd. full amt. on worthless money orders because guaranteed what he sold)
A - The 1980 Census (proposed questions?)
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How Kansas City Pharmacists Operate
Are Store Burglaries the Fault of Management?
Making Mountains of Money Merchandising to Markets that Mass Merchandisers Miss
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June 1977	F - Article That Diners Club Prints B - Customer Abuse - Elizabeth Arden Style A - Correction (re BofA discount charge) Should Bankers Tell the Truth to Congress? Thank you for the Honor I Received What Went Wrong With New York City - And Who Was To Blame? Must Associations Speak With One Voice? Menswear Merchants Miss Major Market The Law and Retailers That Damned EFTS Ain't Workin' - Nobudy Kin Reed 'Er Kount!
July 1977	F - Lessons To Be Learned From J. Magnin B - A Matter of Ethics (economic & political philosophies vs. ethics and morality) A - Employee Theft -- An Interesting Study How a Fact if Born Tandy Plays a Dangerous Game (offer to buy stock) When Will K-Mart Stop? Thanks to Art Kaiser How Accurate Are Trade Association Bulletins? Banker's Gall (banker's hours vs. 24 hr. service) Names in the FTC (Trans World Accounts, Inc.) Is Your Credit Office Set Up to Work With Credit Unions?
August 1977	F - What is Happening To Our Standards? B - A Matter of Ethics (Do you help people cheat on their income tax?) A - Correction by NMRI (IRS rules on travel expenses) Dangerous Consumer Products Another Policy Statement Banning Support of Clubs that Discriminate How Accurate Are Trade Association Bulletins (revisited)

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A VISA In Sear's Future?

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A - How Good Are Sales Projections For New Stores?
A Successful Home Study Program
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A Danger in Consent Orders With the F.T.C.
The 1977 U.S. Industrial Payroll Savings Committee
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The Law and Retailers
Commercial Bribery (BIC Pen Corp.)

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F - Conflict of Interest - One Company's Policy
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A Change in the Cost of Newspaper Ads May be in the Making
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You Are What You Read
Names in the FTC (Tire Warranty Credits/Walgreen Co/Zayre Corp./City Stores Co.)
Will You Have Special Store Hours for Handicapped Customers?
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Making the Cost of "Perquisites" Visible
National Supermarket Chains Do Not Work Miracles

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A - How The Minimum Wage Law Will Destroy Our Society
Applause For Walter Hoving
The Ad You Don't Believe
Energy Conservation and the Retailers
Lou Harris Looks at the Consumer Movement
ERISA
Can You Ask About Arrest Records?
The Problem with Employing College Professors
Can Your Buyers Tell What is inside "Down" Jackets?

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	F - For a Fee, Yankelovich, Skelly and White Tell Supermarkets That Consumer Activists Lack Resolve	
	B - Ethics in Credit Collection	
	A - May 1978 Bring You Happiness	
		The Outlook for 1978 - Courtesy of Ralph Waldo Emerson
		Where is the Convenience Store Industry Headed?
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		Double Decimation
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		Names in the FTC (Jay Norris Corp./Kroger Co/K-Mart)
		Does Discount Mean Lower Gross Margins?
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		Competition on Finance Charge Rates
		A Dollar of Retail Earnings Are Worth Relatively More
		Words Without Meaning (From the Consumers Distributing Co. Limited report)
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	A -- The Unusual Letter (thanks for correcting inv. error)	
		Not Enough Points is Enough Explanation (Wards)
		Panic Prevails at Saks 5th Avenue
		Selective Distribution Approved in Common Mkt.
		High Profits for Federated Dept. Stores
		Questioning the National Crime Info Center
		Instant Credit Overload? (multiple credit card offer)
		Wards Value Absent Customers Over Good Customers
		Apartment Life
		Man and the Computer
		Kid Porn in Store Newspaper Ads?
		RT Scores Big in the 30th Forbes Annual Report on American Industry
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		Trashing a Great Name (Kuppenheimer)

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COUNSELLORS

file
1/77 RT

February 20, 1977

Memo to: Max Newmark

Subject: Alleged libel

Dear Max---

I am enclosing the letter received in regard to Jack Shapiro and have retained a photocopy.

If everyone would feel better I will send out a special letter or postcard (less expensive) or can include in the March RT (February is already out).

I am also enclosing a copy of the January RT with the item they found offensive.

And finally I am enclosing one of the articles with the statement made by Andrew Goodman in the Bergdorf-Goodman executive committee meeting minutes!

Sincerely,

Robert Kahn

ONE BOSTON PLACE, BOSTON, MASSACHUSETTS 02108 (617) 261-1000

WALTER D. WEKSTEIN / PAUL LEVENSON / ARNOLD L. SLAVET / DAVID B. GOLDBERG / JEROME E. ROSEN
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COUNSELLORS AT LAW INCORPORATED

February 14, 1977

Mr. Robert Kahn
ROBERT KAHN AND ASSOCIATES
P.O. Box 343
Lafayette, California 94549

Dear Mr. Kahn:

This office represents Mr. Jack H. Shapiro of Wyncote, Pennsylvania.

In the January 1977 issue (volume 12, no. 1) of your publication "Retailing Today" there appears an article about Giant Stores.

Mr. Shapiro has consulted this office with regard to the following paragraph which appears in your newsletter:

> "RThought: It appears from reading the charges that the deception had a momentum of its own - with the result that no falsification was too large to attempt. It was just prior to the collapse that I was talking with Jack Shapiro as he explained how they were going to install electronic cash registers at all checkouts and within a year they would have complete data capture for their merchandise control system."

It is the opinion of this office that the foregoing language contains libelous material which may have caused irreparable harm to Mr. Shapiro.

We are, therefore, hereby making a claim against you for damages as a result of the statement you have made.

We suggest that you or your attorney communicate with us in the very near future.

Very truly yours,

ARNOLD L. SLAVET

jf

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P serve written notice - demand for correction -

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RETAILING TODAY

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ROUTE TO

JANUARY 1977

VOL. 12, NO. 1

THE EDITOR SPEAKS

Recently I was allowed the privilege of addressing the retail industry people—audit, tax and management advisory services—of Touche Ross. A similar presentation was made to the corresponding group at Arthur Andersen in 1975. Some of the points covered are of general interest.

Current Value Reporting

The accounting profession—and the Securities and Exchange Commission (SEC)—are raising questions about the adequacy of generally accepted accounting principles which are based almost entirely on historic cost. One often hears that business is reporting inflationary profits as current profits—thus fooling the investors while failing to insure the continuity of the enterprise.

The SEC has issued Accounting Series Release No. 190 (ASR 190) which will require larger retailers (those having inventory, gross property, plant and equipment aggregating more than $100 million) to report their operations on a current value basis. The SEC recognizes that much experimental work must be done on the presentation—and there is a step afoot to absolve all mandated corporations from any liability as a result of issuing such lies and falsehoods. More and more often the government is requiring such lies as a condition of being permitted to operate a business in the United States. Facts have become much less relevant with the passage of time.

Consider a few governmental sanctioned or mandated lies. Retailers must use a LIFO index prepared by the government on a mix of goods no longer pertinent to the departments being measured. Retirement benefits for many people—and current compensation for many people—are tied to a Consumer Price Index that is based upon the pattern of expenditures existing 18 years ago. Unconditional guarantees are now classified as "Limited Warranties" if, for example, they only cover 3 or 4 or 5 years. Elimination of sex from credit point scoring systems results in mandated discrimination against women.

Let us look at what is being proposed in ASR 190.

The first obvious defect is that companies cannot revalue land. How this helps stockholders I will never know. This is a major asset for many firms outside of retailing—oil companies, agri-business, timber growers, mineral companies. There is one familiar name considered to be a retailing company that has, in the past and now, concealed from their shareholders a reasonable statement of the value of the land they own. That company is Amfac. It owns some 65,000 acres of Hawaii carried on the books at about $250 per acre. In 1975 they sold 4 acres for a hotel/apartment development at $53,000 an acre of which $43,000 was net gain before taxes! If all their different types of land was valued on the basis of sales made in

ETHICS AT FEDERATED

Situation I

In the December issue of RT we commented under "**A Matter of Ethics**" on the conduct of Ralphs (Ralphs Grocery Co.) in using tests made by Consumers Union of the United States (CU) in violation of the copyright held by CU.

RT thought that Ralphs might have done it in ignorance. But the January issue of **Consumer Reports** indicates that an attorney for Ralphs contacted CU to determine how they could exploit the rating given by CU to Ralphs private-label frozen orange juice. CU advised the attorney that Ralphs could not use the rating and explained CU's policy.

RThought: If Ralphs (apparently without control or concern on the part of Federated) will steal the property rights of Consumers Union, where will they draw the line? Intentional violation of copyrights (in a copyrighted advertisement!) certainly must be the lowest level attained in recent years by a major retailing organization.

Situation II

Recently I discovered that a client was arbitrarily deducting 50% of the inward freight as a freight allowance for further distribution from their service center to their stores.

In my conversation with my client I started by asking "When you go shopping do you take half of the merchandise you want without paying for it?" He didn't understand my question and so I explained that arbitrarily deducting 50% of the inward freight was just as dishonest as stealing half the merchandise you want.

He replied "**But Bullock's does it!**"

Today my client is more honest than Bullock's—but why should I have to respond to a statement "But Bullock's does it!"

1975 the reported stockholders' equity of $322 million would be increased by about $550 million (before provisions for capital gains taxes)! But the SEC apparently approves of this form of deception because ASR 190 does not permit Amfac to report land on a current value basis!

RT feels that the SEC does not understand the conceptual change involved in going to current value reporting:

THE GOING BUSINESS CONCEPT WILL BE REPLACED BY A CONCEPT OF PERPETUITY WITHOUT CHANGE.

Let's explore how ASR 190 might have applied over the years–and let us use for our example The Great Atlantic and Pacific Tea Company (A&P), one of the more durable retailers who will be subject to ASR 190.

The table below shows the growth of A&P:

Year	Stores
1859	1
1930	15,700
1947	5,000
1957	4,200
1967	4,700
1977	2,000

A&P started with a single store and at one time had about 200 routes in New York City served by horse-drawn wagons ("gross plant" subject to current valuation). Just before World War I A&P saw the need for corner stores (with credit and delivery) and in a few short years were operating a peak of 15,700 stores. This was just in time for the depression and the arrival of the supermarket.

All of the corner stores became obsolete and the conversion to supermarkets was started. A low point was reached by the late 1950's and then the number of stores again increased–all too small to survive in the 1970's. Came Jonathan Scott on his white charger to save the company–and 60% of the stores were closed!

With this as a background, let us consider some facts that would have affected the application of current values during just one period–A&P between the World Wars. The table below shows the index of the cost of commercial construction–and the index of the value of commercial construction put in place. Both indices have been converted to a basis of 1967 = 100.

Year	Index of Cost of Construction	Index of Value of Construction
1920	31.6	41.7
1921	25.9	46.4
1922	24.0	53.8
1923	26.8	57.1
1924	26.7	58.9
1925	26.5	76.3
1926	26.7	61.7
1927	26.4	92.6
1928	26.4	90.2
1929	**27.2**	88.3
1930	26.8	70.5
1931	24.8	40.5
1932	21.4	23.3
1933	**21.9**	**14.7**
1934	23.9	17.8
1935	23.5	22.0
1936	24.2	29.0
1937	27.0	33.9
1938	28.0	24.8
1939	28.3	25.6

From 1929 to 1933 construction cost dropped from 27.2 to 21.9, a decline of 19%. At the same time the index of the value of construction dropped from 88.3 to 14.7–a drop of 83%!

Assuming that A&P was on current value accounting in those years, and assuming that they considered any under-utilization of plant capacity "temporary" (something that might have been hard to believe in 1933), why should they have revalued their plant downwards by 19%? The decline in construction costs was largely a function of desperation combined with virtually no construction activity.

Why is it sensible to compute each balance sheet on the basis of current value at the end of each fiscal year?

A&P did pretty well during the depression–maintaining a relatively high profit level despite decline dollar sales. Two years are shown below:

Year	Sales	Profit	No. of Stores
2/28/30	$1,054,000,000	$30,000,000	15,418
2/28/34	820,000,000	23,000,000	15,131

The profit for the year ending 2/28/34 was $1,520 per store. If the current value of the store's assets at 2/28/30 was $8,000 or more per store than the 19% decline in the construction cost index (used to determine the new current value) would wipe out the profits (19% x $8,000 = $1.520).

The same would have been true in most major companies–particularly manufacturing which is much more capital intensive.

(Contemplate the loss to A&P of Scotts decision to close 3,000 if they had been valued on a current basis–which the decision would have cut to zero.)

Can the SEC and the Financial Accounting Standards Board (FASB) say that current value accounting would have more accurately reflected the operations during the depression? Would the conversion of the small profits into significant losses hasten the recovery of confidence? One must recall that we had a President who told us "The only thing we have to fear is fear itself" and certainly fear would have been much greater if profits had been wiped out and losses enlarged because of arbitrary accounting rules.

What about inventory values?

A committee of experts has arrived at a number of ways to revalue inventory from either FIFO of LIFO to current value. In one example worked out it would, using a "lag" method, adjust inventory by a factor of about 2% during a year of 6% increase in the department store index of prices (used in LIFO computations). In the case of firms on LIFO, it is suggested that they use the FIFO valuation step in that process (which is even higher than FIFO under the retail method).

There is great discussion going on about how to make small percentage changes in an inventory that is already grossly overstated. The same association (NRMA) that is sponsoring a new manual of the "current value" arithmetic and distortion also sells a booklet entitled "Retail Inventory Method Made Practical," written by James T. Powers, partner in charge of retail audits for Peat, Marwick, Mitchell & Co., the largest accounting firm in the United States and the most frequent auditors of publicly-held retail firms.

In the introductory section, on page 4, there is the following statement:

> "In fact, as will be shown, 'cost' under the Retail Method, ignoring the effect of markdowns, will often give a 3% to 7% higher valuation than 'cost' developed from vendors' invoices."

Safeway recently discovered the magnitude of the overstatement of retail store inventories, using the grocers retail method, and introduced the fact in a property tax assessment appeals in California.

Thus the nation's foremost retail association, NRMA, has placed itself in the following position:

1. Publicly admitted that the FIFO-based retail method of inventory overstates cost significantly.

2. Has never sought legislative correction of the mandated computation of current "cost" under the LIFO method of inventory valuation for retailers resulting in an even higher valuation.

3. Now proposes that the replacement cost be boosted some more by an artificial formula based upon an index that is no longer valid.

Improving valuation under the Retail Method of Inventory

Now that a large number of retailers have computers or use a computer service bureau, it is possible to take the most significant step required to improve the accuracy of the cost computation under the retail method.

Overstatement of cost under the retail methods results from the fact that the mix in the ending inventory is not representative of the mix in the purchases that is used to determine the cost complement to be applied to the ending inventory at retail. Because there is a propensity for lower markup goods (higher cost complement) to be under-represented in the ending inventory, the cost complement developed is too high.

This can be solved by modifying the method of recording purchases. If "in-and-out" items, identified in advance as a type not normally carried in stock (closeouts, special purchases, promotional items, etc,), are posted to a supplemental purchase journal that is not used in computing the cost complement (but is used in controlling inventory at retail for shortage and location control, insurance purposes, etc.), then a cost complement will be developed that is more representative of the ending inventory and thus more accurate.

Some thoughts on what accountants should report to stockholders. When the Securities Act of 1933 was being considered by Congress the accountants argued (and their argument was accepted) that they had the capability and, because of their Code of Ethics, the independence to represent the interests of investors.

One of the things that accountants should include in the scope of their responsibilities to investors is to determine what information an investor should receive on a retail company.

Let us look at some things that should be reported—but which are not.

For many years discount retailers existed at the mercy of their creditors, taking 30 to 90 days extra to pay their bills. When suppliers got concerned and tightened up on credit (that is, would not ship unless the account was current) many discounters did not have the resources to become current. Merchandise shipments dropped off, inventory in the stores became broken and spotty, and a significant number of discounters ended up in bankruptcy with great loss to investors. If accountants had reported the status of payables as part of the audit report, two benefits might have accrued: (1) discounters might not have expanded so fast and more might have survived and (2) investors might not have been so enthusiastic about throwing their money at some of the discounters.

Retailers recognize that one of the best measures of management of a retail firm is the shrinkage rate—particularly if a firm can be compared with other firms in the same type of retailing. Once upon a time Jefferson Stores of Miami was a publicly traded company on the American Exchange—and then it was acquired by Montgomery Ward. In recent months the management of Jefferson Stores has been telling the trade that they learned from Wards how to cut their shrinkage rate from over 5% to under 1%. If all the world had known how incompetent the management was at Jefferson Stores do you think many investors would have purchased their stock? (Accountants respond that this is "trade secret" information; on the same basis one could argue that profit is "trade secret" information.)

When analysing a retail operation, a bank or acquirer or management consultant is going to determine whether there are significant delinquencies in payment of taxes or rent. Accountants disclose this only when it is too late—when it constitutes a default under a contract of loan. Yet such delinquencies are often serious (and hidden by the accountants) long before disclosure is forced.

Pension obligations are increasing. The handling of pension funds became so bad that Congress had to pass the Employees Retirement Insurance and Security Act (ERISA) to protect employees from the misconduct of employers. There appears to be a disregard to employee interests by many retail firms. The accountants should be compelled to disclose for every pension plan: (1) the amount of unfunded past service costs (2) the program for such funding and (3) the relationship between the value of the assets in the pension fund and the vested interests of current and past employees. These figures have increased to significant levels in relation to both current profits and stockholders' equity (the unfunded past service obligation is not stated on the balance sheet and to that extent shareholders' equity is overstated).

Often growth is concealed by opening new stores fast enough to cover the declining volume done through older stores. Thus one of the key figures that should be reported (both quarterly and annually) is the change in volume for stores open during both periods.

Government regulations apply to an increasing number of retail firms—and violations of such regulations can often be costly. It is not enough to disclose "significant" litigation filed against the company–the accountant should disclose action under way by the Federal Trade Commission, Equal Employment Opportunity Commission, Consumer Products Safety Commission, Occupational Safety and Health Administration, Wage and Hour Administration and others. The unfavorable action by the FTC, and the ultimate consent order entered into by Sears, on a charge of "bait and switch," had a significant impact on Sears' reputation–but their accountants did not see fit to disclose this situation when it was filed.

Price fixing (Carter Hawley Hale, Williamson and Brown, and Genesco) and stealing credit balances (the same plus Associated Dry Goods and Rapid-American) cost the companies major sums of money–no accountant disclosed the full magnitude of these cases prior to final action by the F.T.C.

Finally, under the category of disclosing to stockholders what special groups already know, accountants should compel retailers to disclose sales and operating profit by divisions. NRMA and Fairchild Publications publish tabulations of sales by major divisions of corporate department store groups–but the stockholders don't get that information.

RThought: Accountants give several reasons for not pressing ahead. First, they say they are waiting for someone to make such disclosures a "generally accepted" proposal–but actually they are afraid to lose a large account (They pay more attention to who pays them than to whom they profess to be responsible.) Second, they say that such information is available elsewhere–but all stockholders do not subscribe to D&B or read **Stores** or **Women's Wear Daily**. Third, they say they have no authority to force such disclosures which are beyond the audit responsibility, but they could always withhold their certificate because they do not deem the total annual or quarterly report to be an adequate disclosure to their sponsors, the stockholders.

GIANT STORES REVISITED

The Securities and Exchange Commission has brought administrative proceedings against a number of officers and directors of Giant Stores, suppliers to Giant Stores and Touche Ross & Co., the accountants for Giant Stores.

The allegations made disclose conduct almost of the magnitude of the Equity Funding in the number of fraudulent papers if not in dollars.

The following is a summary of the fraudulent acts alleged.

1. With or without the cooperation of vendors they created false credits totalling approximately $825,000. Amounts for cooperating suppliers were $177,000, $130,000, $90,000 and $71,000, and those created without the knowledge of the supplier ran $250,000, $50,000, $40,000 and $18,000.

2. Created credits purporting to represent future rebates, allowances and other promotional considerations totalling $177,000.

3. Prepared approximately 1,100 false "Advertising Credits" totalling $315,000.

4. Created some 700 so-called health and beauty aid credits alleging volume rebates and other consideration for a total of $162,000.

5. Concealed this year-end accrual of accounts payable totalling $1,400,000 covering merchandise arriving prior to inventory.

As a result of these actions, Theodor H. Kaufman and Jack H. Shapiro, Chairman and President, respectively, were able to report to the shareholders in the annual report for the year ending January 29, 1972 that Giant had achieved record earnings of $1,323,673 before the chargeoff for discontinued operations.

The January 29, 1972 annual report became part of the prospectus for the sale of 200,000 shares of stock on August 24, 1972.

It is further alleged that from January 1971 to January 1973 the company issued predetermined earnings figures (and totally fabricated the figures for cost of goods sold) in order to obtain continuing financing.

The officers attempted to boost the price of the stock just prior to the December 14, 1971 sale of 360,000 shares by contacting short-seller and asking them to refrain and by seeking people to create artificial demand for the stock.

And finally, as long ago as 1969, certain officers concealed the fact that they owned substantial interests in properties that were leased to Giant for store sites, some of which were leased despite objections of the company's site selection committee.

RThought: It appears from reading the charges that the deception had a momentum of its own–with the result that no falsification was too large to attempt. It was just prior to the collapse that I was talking with Jack Shapiro as he explained how they were going to install electronic cash registers at all checkouts and within a year they would have complete data capture for their merchandise control system.

WORDS TO MANAGE BY

The Christophers are a wonderful organization–dedicated to the idea that it only takes a small percentage of the people, when committed to good, to change the world. I have been a Christopher since I read Father Keller's book **"You Can Change The World."**

A Time To Forgive

At Grace United Methodist Church in Atlanta, worshippers annually celebrate the end of the old year and the beginning of the new one with what they call a "burning service."

Each member of the congregation brings to the altar a paper on which he or she has written failures and mistakes, plus changes to be made during the new year. The paper is dropped into a flaming urn.

One year, two men who had once been friends, but had quarreled over a business deal stood side by side at the altar. After dropping their papers into the urn, they got up, faced each other and shook hands.

BRINGING THE F.B.I. UNDER CONTROL

In November 1970 RT reported, deplored and criticized the program underway at the FBI to computerize records on 19,000,000 Americans including all of the unproven and undocumented garbage the FBI had accumulated. The FBI includes any information submitted by any local police agency without documentation or followup on disposition (like the dropping of charges or acquittal).

At that time RT quoted a story which bears repeating here: "Consider the case of a 15-year-old boy; no previous record, is picked up at high school with others, questioned, fingerprinted, and released without any charge, probation, etc. The year was 1945, the place was LaGrange, Illinois, near Chicago. The incident was connected with locker thefts at the school.

"The above individual–who is also the writer (Note: this refers to the writer of the original letter to Computerworld. RK) – never had another brush with the law except for a few minor traffic violations. He subsequently served 10 years in the Air Force, attaining the rank of Master Sergeant and held a Top Secret Clearance. He then completed college under the G.I. Bill and has held a number of positions in data processing, etc.

"He never knew the above incident was even in the FBI files until apprised of the record by a 'would-be' employer."

J. Edgar Hoover was putting into a data file, available to every law enforcement agency in the United States, records on 1 out of 6 adult Americans.

These records were also available to all governmental employers, all national banks, and all insurance companies. In addition, virtually every retail protection department proved its worth to top management–without dissent by any top management with which I am familiar–by making a "contact" with a law enforcement agency so that they could "informally" (i.e., using small bribes) get an FBI check on anyone that store management or the personnel department wanted to check. Some local police departments–perhaps in appreciation or expectation of receiving an "employee discount" – routinely made such information available to retailers.

J. Edgar Hoover personally (at least that is the format of the letters) advised RT "If a verified instance does occur indicating that someone with an agency participating in our computerized criminal history program has in fact misused information, that agency's terminal access will be discontinued until the situation is corrected." Hoover never found such a violation– and yet all he had to look for was the guy who was passing such files on to the staffs of Lyndon B. Johnson, John Kennedy, or Richard Nixon.

Today the world knows what Hoover was and did. More readers objected to the position taken by RT than supported it. But in the long run our courts–with higher standards than our businesses or our executives or our politicians–forced a change.

U.S. District Court Judge Lewis Smith, Jr., in Washington, D.C., has ordered the FBI to find new methods of preventing its now 21.4 million criminal files from being used to further damage the reputations of people with police records (remember that a "police record" can consist of being an innocent high school student who was fingerprinted, interrogated and released). Unfortunately, Judge Smith refused to require the FBI to eliminate all out-of-date and incorrect information.

To show the potential damage possible through this file– which Director Kelley condones and continues to fill with junk–Judge Smith pointed out that 70% of the files include at least one arrest without showing whether the person was convicted or if the charge was dropped!

RThought: The current director, Clarence Kelley, is really no better than Hoover. He has continued virtually all the policies of Hoover except refusing to hire black agents and controlling how long an agent's sideburns can be. He has yet to find any wrongdoing on the part of agents past or present. He perpetrated a fraud on the government for several years, while his wife was ill and continued to live in Kansas City, by arranging to have meetings scheduled in Kansas City every Friday afternoon so that the government would pay the air travel cost of returning home every weekend. Kelley's personal standards must inspire his agents.

RThought: The Freedom of Information Act is not working at the FBI unless one is willing to spend money to obtain a court order compelling the FBI to obey the law. I have been investigated by the FBI several times, particularly as part of an Air Force clearance for Top Secret. At one meeting the "nice clean cut FBI agent" attempted to trick me. We were in a small room with only one desk, two chairs, a door from the lobby, a door to the back office, and a picture on the wall. A phone and my file were on the desk. The phone rang, the agent excused himself **and left the file on the desk**–after watching me for an appropriate period of time through either the picture or some other means to see if I would open and read the file (in which I had no interest)–he returned.

When I attempted to find out what they have in my file, Mr. Kelley demanded that my request have my signature notarized. I asked him what authority he had under the law to demand such a step. They had no problem identifying me before and I would provide adequate identification when I was given an appointment for me to see my file. He has refused to reply. So Mr. Kelley is not much different from Mr. Hoover and hardly one that you should count on to protect you or your liberties.

P.S.: My Congressman (Ronald Dellums) finally intervened and I received my file. The major item was extracts from items in RT unfavorable to Hoover and the FBI.

CREDIT OFFICE RATING

We fail to note progress that takes place slowly. A look back to an earlier Credit Office Rating (Jan 70 RT covering Oct-Nov 69) illustrates this point. This year the average number of days between cycle closing and postmark was 5.8 days for stores covered by reporters (compared to 8.7 days in 1969) and 4.7 in the case of stores reporting their own performance. In 1970, the Honor Roll showed only 5 stores under the present standard of 4 days or less – compared with 11 stores listed below.

J. Magnin was on both Honor Rolls – they have shown improvement from 3.5 to 2.7. Emporium, which has shown improvement in recent months, was 11.0 days in 1969! Other firms show improvement although present performance still is not satisfactory – for example, Shreve (then independent and now part of Dayton-Hudson) dropped from 33 (that's right – 33 days) to 10.

It is worth observing that 7 of the 11 Honor Roll stores (marked with an asterisk (*)) are small stores. Most use a mechanical billing system or a service bureau. **Good performance is a function of management.**

HONOR ROLL

Company	Days	Company	Days	Company	Days
*Maison Mendessole	2.0	J. Magnin	2.7	Oshman's	3.8
*Rubenstein's	2.2	*Jurgensen's	3.0	Emporium	4.0
*Hink's	2.4	*Levee's	3.2	Montgomery Ward (Chicago)	4.4
*Routzahn's	2.5	*Iver's	3.5		

CREDIT OFFICE RATING

Information From Reporters	OCT-NOV 1976 No. of Reports	OCT-NOV 1976 Days to Bill Average	OCT-NOV 1976 Days to Bill Range	AUG-SEPT 1976 No. of Reports	AUG-SEPT 1976 Days to Bill Average	AUG-SEPT 1976 Days to Bill Range
Bloomingdales (NY)	1	9.0	9	––	––	––
Bullocks (LA)	1	6.0	6	––	––	––
Bullocks (No. Cal.)	8	6.1	5-8	8	6.5	5-10
Capwells (No. Cal.)	11	6.6	6-9	10	8.0	7-10
Emporium (No. Cal.)	4	4.0	4	5	6.4	5-8
Goldmans (Oak)	1	5.0	5	––	––	––
Grodin's (No. Cal.)	2	5.5	5-6	1	10.0	10
Hastings (No. Cal.)	1	6.0	6	3	4.3	3-6
Jurgensen's (LA)	1	3.0	3	1	3.0	3
Liberty House (No. Cal.)	1	5.0	5	1	6.0	6
Livingston Bros. (SF)	1	9.0	9	1	6.0	6
Macy's (No. Cal.)	6	6.5	6-8	6	7.2	6-9
I. Magnin (SF)	1	5.0	5	3	3.3	3-4
Joseph Magnin (SF)	3	2.7	2-3	3	4.0	3-5
Maison Mendessolle (SF)	2	2.0	2	1	2.0	2
May Co. (LA)	1	5.0	5	––	––	––
Mont. Ward (Chicago)	1	4.0	4	––	––	––
Mont. Ward (Oakland)	3	4.3	3-5	––	––	––
Penney's (LA)	1	5.0	5	1	9.0	9
Robinson's (LA)	1	6.0	6	––	––	––
Sears (Alhambra)	4	6.3	4-8	2	5.0	5
Shreve & Co. (SF)	1	10.0	10	––	––	––
TOTAL	56	5.8	2-10	46	6.3	2-10

Information From Stores	OCT-NOV 1976 No. of Reports	OCT-NOV 1976 Days to Bill Average	OCT-NOV 1976 Days to Bill Range	AUG-SEPT 1976 No. of Reports	AUG-SEPT 1976 Days to Bill Average	AUG-SEPT 1976 Days to Bill Range
Brock's (Bakersfield)	18	7.2	5-9	20	5.4	5-8
Hess's (Allentown)	4	4.5	4-5	8	3.9	1-5
Hink's (Berkeley)	17	2.4	2-5	18	2.6	2-4
Holman's (Pac. Grove)	7	7.6	3-8	1	8.0	8
Iver's (Los Angeles)	10	3.5	3-4	10	3.5	3-4
Levee's (Vallejo)	20	3.2	2-5	20	6.1	3-9
Mervyn's (No. Cal.)	20	4.3	3-5	20	4.2	[illegible]
Oshman's (Houston)	4	3.8	3-4	10	3.7	[illegible]
Penn Traffic (Johnstown)	10	5.0	4-6	10	4.6	[illegible]
Routzahn's (Maryland)	2	2.5	2-3	2	3.0	3
Rubenstein's (Shreveport)	5	2.2	2-3	3	2.3	2-3
Wineman's (Huntington Pk.)	8	10.5	8-13	8	8.1	7-12
TOTAL	125	4.7	2-13	130	4.6	1-12

WHY A CREDIT OFFICE RATING? The Unruh Act (in California) controlling revolving accounts went into effect about 1963 just as the Office of Consumer Counsel was created. Consumers were complaining that they received statements so late that they had an additional service charge before they could pay their bills. Consumer groups were proposing laws that would have been impossible to meet with equipment and procedures in major stores. The CREDIT OFFICE RATING was initiated to bring this problem to the attention of influential people within store management.

WHAT HAPPENED–THEN AND SINCE? Initially, I was criticized for publishing the data and especially for naming stores. Since then the reports have been accepted for their intended purpose and many stores have sought to attain the Honor Roll objective, established at the beginning at five working days between cycle closing and postmark date, and now reduced to four days because of the large number of stores that have attained five days. Many stores have reported pride–both to management and credit and data processing personnel–in being listed on the Honor Roll.

HOW IS TIME COMPUTED? We do NOT count the cycle closing date but do count the postmark date, and then deduct Sundays and those holidays observed by the preponderance of stores.

HOW ARE THE FIGURES COLLECTED? Volunteer reporters send in form postcards reporting their own bills showing store name, closing date and postmark date. On receipt of one report, another form is forwarded. YOU CAN VOLUNTEER TO SERVE AS A REPORTER.

START YOUR OWN REPORT. Every store should keep this data on every cycle and establish their own goals. Other geographic areas should start a similar report and I will be glad to assist any such group.

Harris · Teeter Super Markets, Inc.
4017 Chesapeake Drive, P. O. Box 2177, Charlotte, North Carolina 28233

January 26, 1977

Mr. Robert Kahn
Editor and Publisher
RETAILING TODAY
P. O. Box 343
Lafayette, California 94549

Dear Mr. Kahn:

I would appreciate your permission to xerox sections of your Volume 12, No. 1 RETAILING TODAY to send to accounting acquaintances who are managing partners of the major national firms. I would like them to have the benefit of your thoughts.

Thanking you in advance for your cooperation.

Very truly yours,

Hugh G. Ashcraft

Hugh G. Ashcraft, Jr.
President

HGA/bl

Dear Mr. Ashcraft----

I am pleased to grant such permission and I appreciate what you are doing. As you can gather, I am very much concerned about the direction of some of the accounting changes.

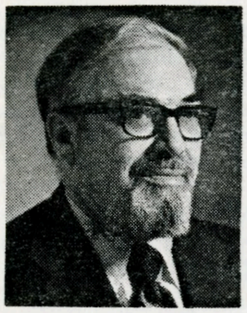
I would be very much interested in any response you receive.

Sincerely,

Bob Kahn

Robert Kahn

Photocopy retained



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ROUTE TO

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RETAILERS LOVE TO GAMBLE

In recent years there has been a great improvement in the accuracy of long-range weather forecasts. By long-range, I mean 3 months to 2 years.

The technique was developed by Irving P. Krick—while a professor at California Institute of Technology in the 1920's. The U.S. Weather Bureau still says it cannot be done. You will recall that this is the same kind of reaction that Galileo got for proving that the earth moved around the sun. (The Catholic Church is still trying to cancel Galileo's excommunication!).

As stores make commitments further and further in advance, one would think they would want to know something about the weather. Would California or Colorado stores have been better off in the spring of 1976 ordering ski apparel for fall 1976 if they knew that there might not be any snow? Would midwestern and eastern stores have stocked more long underwear? Would Miami stores have stocked snow shovels?

Long-range weather forecasters knew, with a high degree of confidence, what was coming—but retailers never ask. The Los Angeles Times threw this in the face of retailers with a story about one of the West Coast's favorite forecasters—Harry Geise, a student of Irving P. Krick. A number of people who are less inclined to reckless gambling than major retailers pay Geise over $300,000 a year for long-range forecasts. (They pay Krick much more.) One major food company has him working on 1979 and 1980 weather in 11 states!

RThought: Top retail executives are prone to consider retailing an art rather than a science. Retailing as an industry was late in utilizing what computers and electronics could bring to their business (the major installations originally involved labor-saving rather than knowledge-enhancement). Because of bad weather many annual reports for 1976 will report that earnings were adversely impacted by excessive markdowns resulting from "unseasonable weather"—weather that could have been forecast with sufficient accuracy to avoid or reduce such markdowns. The top retail executives won't tell that to their stockholders—they just go on passing off their lack of knowledge as an unavoidable—rather than an avoidable—risk of retailing.

COSTLY FALSE ADVERTISING

Even the largest companies (Bank of America, $60 billion in assets) sometimes forget to watch their advertising department/agency. On the theory that claiming to have a value is almost the same as actually having a value (you can fool all of the people some of the time, etc.) Bank of America (BofA) recently advertised that "Our (car financing) rates are very competitive." San Francisco Consumer Action had recently checked the banks and knew that BofA was not competitive so they complained to the San Francisco District Attorney.

THE RISK OF SELLING CREDIT CUSTOMER LISTS

RT has long felt that retailers have no right to sell their charge customer lists. The charge customers provide their names to the store for the purpose of obtaining credit—not so that the store can make money by selling the names.

Soon California retailers may learn if they have to split their gain with their customers. A Superior Court in Los Angeles has cleared a class-action suit for trial. The suit is against Mobil, Union, Texaco and Shell Oil on behalf of all persons who had accounts with them within the past 4 years and seeks to recover their prorata share of the money earned by the four companies by selling their address list. The suit is based on a California law governing "implied contracts" and allowing a person to collect damages for injury caused by use of his name, photograph or likeness for solicitation purposes.

Other class-action cases are pending against other companies.

Unfortunately the case will not go to trial for about 3 years and then there will be a series of appeals. But, retailers would be wise to weigh the small income from selling their lists against the costs of attorneys.

The DA and the BofA have announced a settlement whereby BofA would make refunds of $175,000 to people who wrote car financing deals during the 2 week period the ads ran plus paying a civil penalty of $100,000 to San Francisco. The internal records of the BofA showed that only one bank of the hundreds in California charged more than they did on a car loan with 20% down. Even their rates for 25% down and for "regular customers" could hardly be considered "very competitive."

To make the problem worse, the first response of BofA to electronic media investigating the story was that the cited sentence referred to rates charged by non-bank lenders like personal property brokers and small loan companies.

RThought: Retail advertising departments are always ready to claim "Our greatest sale ever" or "Our lowest price of the year" or "We are never undersold." Be careful—your worst enemy may be your advertising manager.

COMMERCIAL BRIBERY

If someone in your company authorized the purchase of a **Minolta Electrographic Copier**, ask who got the Minolta Pocket Autopak 50 pocket camera worth $70.

Or better still—stop Minolta from using such tactics by notifying persons who might be involved in such a purchase that in no circumstances, regardless of the merit of the product, will your company patronize a firm that indulges in offering bribes to your employees. The free camera offer is made to the person who arranges the demonstration, not to the company that would pay for the copier.

CARTER'S TOKEN FEMALE AS SECRETARY OF COMMERCE

Business apparently will be able to get away with anything (as has been the case so often in the past) under President Carter's Secretary of Commerce—Juanita Kreps.

Kreps apparently has been the "token female" on a number of major corporate boards—J. C. Penney, NCNB Corp., the New York Stock Exchange, Eastman Kodak, R. J. Reynolds and Western Electric. In a story about her in **Forbes** (May 15, 1976) she is quoted as saying "I **just assume that management is giving** me the **honest story**. And of all the chief executive officers I work with, there's not one who wouldn't want you to question his views." (Emphasis added)

Apparently Kreps' trust is misplaced—the Council on Economic Priorities recently reported that R. J. Reynolds had disclosed in 8K reports to the SEC for May, June and September 1976 (perhaps more is coming) $25,160,000 in questionable foreign payments. Only Exxon ($56,862,000) and Grumman ($28,000,000) have publicly reported larger amounts of questionable payments.

RThought: This was just a case of an honest CEO at Reynolds and a token female board member who couldn't think of the right questions to ask the CEO. One can understand why Kreps name got passed around—she was a trusting academic, had a good smile, and believed anything you told her.

In the following analysis hypothesizing how she got passed around, keep in mind that Western Electric is a wholly owned subsidiary of American Tel and Tel which controls other Bell-system telephone companies.

William Batten, former President of J. C. Penney is now President (and was a long-time Director) of the New York Stock Exchange and a Director of AT&T. William Ellinghouse is President of New York Telephone Company (Bell) and a Director of J. C. Penney. Garvin K. MacBain is Chairman of Bristol-Myers Co. and is a Director of Penney and the NYSE. Cornelius W. Owens is a Director of both NYSE and New York Telephone Company. Colin Stokes is Chairman of R. J. Reynolds Industries and a Director of NCNB.

These "ties" account for all her directorships except Eastman Kodak. That may have come through people from major investment banking firms—people often asked for their suggestions for a director: Gustave L. Levy was a Director of NYSE and a senior partner in Goldman, Sachs; and Robert N. Gardiner was a Director of NYSE and Chairman of Reynolds Securities.

Business consumes great numbers of token women just as it consumes token blacks. But no one expects a "token" to become Secretary of Commerce—unless, of course, they want a safe appointment.

DO YOU SUPPORT BIGOTRY?

It is unfortunate that Mr. Carter, after promising us that he will bring new faces—representatives of the American people—into Washington to replace the "politicians" who have fallen into disrepute, should have selected two fellow Atlantans who, in order to gain standing as true Americans will have to resign from local clubs that admit neither blacks nor Jews.

The Los Angeles Times recently ran a series of articles reporting that the major clubs favored by the "power structure" follow the same pattern—no blacks nor Jews or women in many, if not most, cases.

Retailers are no better. How many of your employees either enjoy company memberships or have their membership reimbursed in clubs that discriminate against blacks, Jews and/or women? It makes no difference that someone points out the fact that the bylaws do not discriminate—discrimination exists if the club has no blacks, chicanos, Jews, or women.

This discrimination permeates an entire community—and those that discriminate the most seem to accept it as something that should not be criticized. My Grandfather was a respected merchant in Oakland—when he died, all the stores in Oakland, not just his own, closed during his funeral. But that standing meant nothing to the Masonic Lodge he helped found—it turned down my Father 30 years later because he was Jewish.

My Father was one of the founders of the Oakland Community Chest in 1923. He told me several times of the embarrassment he experienced when, after a meeting, 8 men left and headed toward a local club for lunch. At the door the man giving the lunch turned to my Father and said, "Irving, I only made reservations for 7. You know the club does not admit Jews."

As merchants you welcome—not only welcome, but seek—everyone in the community. You want men and women and children, black and white and brown and yellow, Christian and Jew and Moslem to patronize your store. But are you degrading the principles of our country by providing active support for organizations in your community that discriminate?

RThought: If this matter is of concern to you then you might do well to adopt the policy recently announced by the Bank of America (albeit in the face of Federal pressure). Effective January 1, 1977, the BofA will not maintain membership in nor will it reimburse any employee for membership in any club or organization that discriminates on the basis of race, color, religion, sex, age, national origin or handicap. And, it will neither sponsor events or functions in such surroundings nor permit reimbursement for business entertainment at any club unless all business guests who should attend can attend.

If you feel that now is the time to make this move in your organization, you can multiply the impact of your decision by announcing your new policy to both your employees and your community.

HOW TO GET EMPLOYEES TO ELIMINATE THEIR OWN JOB

Virginia National Bankshares found the way—with a suggestion award system that included (1) a bonus equal to 25% of the employee's salary for a suggestion on how to eliminate their own job and (2) a promise that they would be reassigned without a cut in pay. Ten jobs were elimianted—one of which was the suggestion of 5 tellers that their work could be handled by 4! Awards were made in days of paid vacation or in cash.

THE STANDARDS OF TANDYCRAFTS

Tandycrafts, Inc., was spun off by Tandy Corporation and now stands on its own merits—or demerits. It consists of two major divisions—handicrafts and home improvement. Handicrafts consists of Tandy Leather (do-it-yourself leather kits), American Handicrafts (hobby kits), Merribee Company (needlecrafts) and The Magee Company (picture frames). Home improvements means Color Tile Supermarts, some 226 outlets as of June 1976. In 5 years, home improvement has grown from $13 million to $61 million, a compounded rate of 48% per year.

And how do they do it? If you believe their advertising it is through lousy buying, mistakes in warehouse space, and early arrivals of merchandise!

In August 1976, RT suggested that Tandycrafts Company must be a candidate for the poorest run retail chain in America. At that time the local papers carried a headline "NOTICE TO THE PUBLIC. Excess Stock Must Be Sold! Several new stores won't open on schedule! We're forced to clear out more than $150,000 in excess stock from our warehouse NOW." In May 1976 they had run a similar ad for the 3rd time in 2 years.

On January 23, 1977, the headline in a 4-page full-color newspaper insert read "$4,000,000 OVER STOCK REDUCTION! SALE! . . . Early shipments jammed us! . . . Huge surplus must be sold! . . . Sharp Price cuts on all types of floor & Wall coverings!"

WHO IS PROUD IN DALLAS?

The Treasury says in their sig-cut, "A Division of J. C. Penney." 7-Eleven said "A Division of the Southland Corporation." Titche's says "A Unit of Allied Stores."

But, Federated is ashamed of Sanger Harris, Associated Dry Goods disowns Lord & Taylor, Carter Hawley Hale repudiates Neiman-Marcus, Edison Brothers won't admit knowing Burts and Bakers.

RThought: A knowledgeable executive and Dallas native offered the answer that Federated (Sanger-Harris) and Carter Hawley Hale (Neiman-Marcus) feel that they benefit by continuing the illusion that their stores are still "home owned." I would suspect that a survey of customers would confirm that belief. Federated, Associated, CHH and Edison Bros. apparently feel that the customer does not have the right to know who she is doing business with. (When Mr. Churchill was criticized for ending a sentence with a preposition, he replied, "That is something up with which I will not put!").

PROOF: In PARADE, The Sunday Newspaper Magazine, with a circulation of many millions, a reader in Victoria, Texas, asked "Who owns the famous Neiman-Marcus Department Stores in Dallas? Isn't it owned by the Stanley Marcus Family?" The answer, of course, was "NO." But it confirms the wisdom of my Dallas friend—and the policy of Federated and CHH that "you can fool some of the people all of the time."

ON THE PASSING OF SAM

It was on a return flight—a red eye special—from a meeting with a client, and I had some time to catch up on my reading. I pulled California Apparel News from my briefcase and immediately turned to Sam Kline's column, "As I See It." I was pleased to see his smiling face and wondered what new honor he had recieved—the shock followed when I read of his death.

Sam and I have long corresponded—as I am sure he did with many other people. But since he became a columnist following his retirement from the Kline-Kinsler Buying Office, our writings have stimulated each other. A number of RT readers became aware of RT because one of his columns suggested they write to RT for some item and say "Sam sent me."

The test of the influence of a man is not the monuments he inspires but the length of time he stays in the memories of the people who knew him and I am certain that Sam will be remembered long and lovingly.

TO AND FRO

The net civilian migration into and out of states gives a clear indication of where people want to live. Confucius said that the test of a government is whether the population increases or decreases during the ruler's reign. This has often been described as voting with one's feet.

From 1970 to 1976, this is what happened in each state, with net civilian migration measured as a percentage of the State's 1970 population:

Florida	+21.7	Maryland	+ 1.8
Arizona	+20.1	Kentucky	+ 1.8
Nevada	+18.6	Alabama	+ 1.3
Alaska	+18.1	Delaware	+ 1.2
Colorado	+10.7	West Virginia	+ 0.2
Wyoming	+10.5	Wisconsin	+ 0.0
Idaho	+ 8.4	Nebraska	- 0.1
Oregon	+ 7.1	Massachusetts	- 0.4
New Hampshire	+ 6.8	Connecticut	- 0.5
New Mexico	+ 6.3	Minnesota	- 0.5
Hawaii	+ 5.7	Mississippi	- 0.6
Arkansas	+ 4.8	New Jersey	- 0.6
Texas	+ 4.8	Louisiana	- 0.7
Virginia	+ 4.1	Kansas	- 0.7
Maine	+ 3.7	Missouri	- 1.2
Oklahoma	+ 3.7	North Dakota	- 1.5
South Carolina	+ 3.4	Iowa	- 2.0
California	+ 3.3	Pennsylvania	- 2.1
Montana	+ 3.0	South Dakota	- 2.2
Utah	+ 2.7	Rhode Island	- 2.4
Vermont	+ 2.6	Michigan	- 3.0
Georgia	+ 2.6	Indiana	- 3.2
North Carolina	+ 2.5	Illinois	- 3.4
Tennessee	+ 2.4	New York	- 4.0
Washington	+ 2.0	Ohio	- 4.5
		District of Col.	-10.5

The only places reporting an absolute decline in population were the District of Columbia (-7.0%) and New York State (-0.8%).

ON THE RETIRING OF BEN

More than 1976 went out on December 31, 1976. Ben Gordon retired from Lebhar-Friedman as Vice President for editorial matters. The various segments of the retail industry served by their many magazines may not appreciate the impact of Ben's thinking on the changes and progress of their businesses because, in recent years, only a few of the subjects appeared above his signature in special articles or editorials.

But he was a good and knowledgeable observer of the scene and must be recognized as one of the "philosophers of retailing." Those in retailing are often too close to the business–concentrating only on today, a year ago today and tomorrow.

But Ben was able to view it more objectively and it was from this advantage point that he offered his contributions.

He will drop into the office every once in a while–and hopefully, through his writing, he will drop in on the retail industry once in a while.

CONSENSUS: WORKING FOR AGREEMENT

Recalling the picture on the masthead of RT, do you think it is a picture of a Girl Scout? It is. A Vice President of the San Francisco Bay Girl Scout Council. And, as such, I recently attended an excellent "Planning Seminar" conducted by another Girl Scout–Eric Hawkinson, a consultant to many government agencies and major businesses, assisting them in organizing their planning abilities.

The heading of this item is taken from one of the pages in his instructions–the contents should be helpful to all groups within your business who are seeking to come to a consensus:

> Reaching consensus in the group can best be facilitated when each member is willing to share his/her position with the others.
>
> Some yielding, exploring, searching and compromising is involved.
>
> It is helpful if each member avoids identifying a position which he/she feels necessary to "defend to the death." What often dies is a workable solution to a problem on which the group is working.
>
> Consensus is difficult to reach.
>
> Not every solution, ranking, set of recommendations, etc., will meet with everyone's **complete** approval. Try, as a group, to make each decision one with which all group members can at least partially agree and which **all** group members do agree to support.
>
> Keep the following principles in mind in working for consensus:
>
> 1. Avoid arguing for individual judgments. Approach the task on the basis of logic.
> 2. Avoid changing your mind only in order to reach agreement and avoid conflict. Modify your position to support logical solutions.
> 3. Avoid "conflict reducing" techniques such as majority vote.
> 4. Avoid pressuring and bringing into line individuals in order to reduce your own feelings of tension.
> 5. View differences of opinion as helpful, rather than hindering. Honest diversity usually leads more quickly to consensus and effective decisions than humbly yielding or deciding to go along because you have some measure of feeling with the opinions of others.

SHORT SHORTS

Another view on stealing credit balances. This time it was the FTC administrative judge in ruling that Genesco had to return $800,000 of balances stolen between January 1, 1972 and March 11, 1975, who said, "To unilaterally deprive charge customers of credit balances due them without any prior or contemporaneous notice ... is abhorrent to all generally recognized concepts of marketplace fairness." This is much more genteel than RT's description.

Will the real Zayre please stand up? The ad in the December 6, 1976 issue of **Discount Store News** says, "I see a great management career in your future. You'll see it, too, once you hear the Zayre Story–where we've been, where we are today, where we're headed ... and how you can benefit from **our positive plan of promotion from within for Store Managers, District Managers and above.**" (emphasis added). Just write to Bennett Abrams, Manager of Executive Recruitment who must be the Ben Abrams quoted in the same issue as saying he would hire 60 people outside the company in management or executive capacity because it reflected the difference between fantasy and reality. "Ideally, just like everyone else, we'd like to promote strictly from within but you just can't afford to pass up talent from the outside." Abrams professes not to pirate–he just "assumes" his agencies send him legitmate referrals.

ARE THESE WORDS TO DIE BY?

Jonathan Swift wrote the following on the death of the Duke of Marlborough in 1722:

A SATYRICAL ELEGY ON THE DEATH OF A LATE FAMOUS GENERAL

His Grace! impossible! what, dead!
Of old age, too, and in his bed!
And could that mighty warrior fall,
And so inglorious, after all?
Well, since he's gone, no matter how,
The last loud trump must wake him now;
And, trust me, as the noise grows stronger,
He'd wish to sleep a little longer.
And could he be indeed so old
As by the newspapers we're told?
Threescore, I think, is pretty high;
'Twas time, in conscience he should die!
This world he cumber'd long enough;
He burnt his candle to the snuff;
And that's the reason, some folks think,
He left behind so great a stink.
Behold his funeral appears,
Nor widow's sighs, nor orphan's tears.
Wont at such times each heart to pierce,
Attend the progress of his hearse.
And what of that? his friends may say,
He had those honours in his day.
True to his profit and his pride,
He made them weep before he died.
Come hither, all ye empty things,
Ye bubbles raised by breath of kings!
Who float upon the tide of state;
Come hither, and behold your fate.
Let Pride be taught by this rebuke.
How every mean a thing's a duke;
From all his ill-got honours flung,
Turn'd to that dirt from whence he sprung.

"WARDS ACCUSED OF FAILING TO EXPLAIN CREDIT DENIALS"

That is the way the headline read in the Lost Angeles TIMES.

The headline in the FTC News Summary said, "Commission Complaint Under Equal Credit Opportunity Act Cites Montgomery Ward."

This is a perfect example of the "Catch 22" syndrome in the Federal Government and it displays the pettiness of Margery W. Smith who, as acting director of Consumer Protection Bureau, authorized the filing.

Wards, as most retailers know, has been one of the leaders in developing point scoring for the very purpose of eliminating human prejudices and biases from the evaluation of credit applications. Points are derived from a complex and statistical correct procedure similar to a regressive correlation—a process by which additional factors are introduced into a weighting process to try to correlate the known factors with the proven performance of a sample group of credit accounts. As each new factor is introduced the relative weight changes for each previously included factor (sometimes entire factors are eliminated).

RT has previously reported on the stupidity of the government in requiring that a formula exclude the sex of the applicant. Tests of sample groups indicate that when sex is not used in developing the formula, fewer women will be granted accounts at all point cut-off levels.

This is the first complaint issued by the FTC under the Equal Credit Opportunity Act which bans discrimination on the basis of sex or marital status. **Yet it does not allege discrimination on either basis!**

The Act does require credit grantors to disclose the reason for denying credit. Wards has been telling customers that they did not score sufficient points. **The FTC does not challenge the accuracy or objectivity of Ward's point scoring system.**

The proposed order issued by the FTC—so as to clearly display the complete lack of competence of the persons dealing with this matter—would require Wards "to disclose the four most significant factors in denying credit under a point scoring system for future applicants."

This is much like the famous order issued by the Army Commander in the Canal Zone prior to World War II—that the Army Air Corps would not have any more emergency landings—the General was tired of recovering planes from the jungle. It is much akin to a question that Ms. Smith undoubtedly favors—"Have you stopped beating your wife?" But, I am reminded most of the saying "The greatest fool can ask questions the wisest man cannot answer."

Point scoring is not a simple set of ratings where every characteristic has a maximum of +10 points—each factor has a different weight, some are negative, and there is no such thing as a "maximum" that is comparable with the "maximum" of another factor so that one can pick the "four most significant factors." For example, if a weight of -8 is given to the number of dependents and weight of .004 is given to income, that does not mean that the number of dependents is the most important factor. Look at two very simplified examples:

Factor	Weight	Points
Case I		
3 dependents	-8.000	-24
$30,000 income	0.004	120
Total Points		96
Case II		
5 dependents	-8.000	-40
$10,000 income	0.004	40
Total Points		-0-

In the latter case, assuming a minimum point score of 20 is necessary, which was the most important factor in turning down the account?

(NOTE: Before Wards, Fair/Isaacs, Professor Myers, and many more write to me—the example above is for illustration only and RT has no knowledge of any of the weights in Ward's or any other point scoring system.)

To further compound the matter, Ms. Smith told the United Press International that the FTC was "tired of waiting" for large credit institutions to voluntarily comply with the law. Wards may prove that Ms. Smith doesn't understand the law—thus is unable to gain compliance.

Wards was in discussion with the Federal Reserve Board on how to handled disclosure. The FTC said that Wards had not responded to their letter —yet it appears that the Ward reply was lost within the FTC. No direct contract was made with Wards before the FTC initiated action. It also appears that the improper conduct alleged against Wards may not be required until March 23, 1977, more than 3 months after the date of the FTC action!

RThought: Is Wards supposed to tell a customer that the 4 reasons he didn't get an account were that his income was too low, he didn't have a telephone, he had too many dependents and he hadn't been on his job long enough? This would be completely dishonest application of point scoring but apparently it would satisfy Ms. Smith. And it would prompt people to file false applications, thus destroying the statistical validity of the scoring system.

RThought: This is a perfect example of incompetent government.

SEARS GAMBLED TO WIN $2 MILLION AND LOST $10 MILLION

The Feature Report in the March 1973 RT was entitled **"Can You Guarantee Satisfaction on a Home Improvement Job?"** This dealt with the manner in which Sears handled several hundred Sears customers who had paid CASH IN ADVANCE for home additions by "Sears Add-A-Room."

Right below their signature on the contract it said "Sears is your Guarantee of Satisfaction."

Things turned out a bit different. "Sears Add-A-Room" was a concession–United Remodeling Systems. And United Remodeling Systems went broke. Supposedly it was part of U.S. Financial Corporation, a San Diego-based conglomerate listed on the New York Stock Exchange. The jobs were bonded through another U.S. Financial Corporation subsidiary.

The Feature Report continued:

> "The bonding company took the initial position that Sears had guaranteed the jobs and that the bond became effective only if both URS and Sears failed. There was some $2,000,000 in uncompleted jobs–and Sears was faced with a problem. Their legal counsel saw the position as follows: if Sears proceeds directly on their 'Satisfaction Guaranteed' representation, the bonding company's position would be strengthened and Sears' stockholders might lose $2,000,000. The decision was made to take the stance that the bonding company was obligated–and therefore Sears carefully avoided any commitments under the many representations that 'Sears is your Guarantee of Satisfaction'.
>
> This left several hundred worried customers, who had paid $5,000 to $15,000 CASH IN ADVANCE, wondering where Sears was–and resulted in the class action suits."

The Feature Report reached this **Conclusion**:

> "RT feels that Sears handled this situation incorrectly. $2,000,000 is an imposing figure, but the largest retailer in the world should have put their customers first. The legal department may avoid a $2,000,000 loss–but the customers produce all of the profits.
>
> Sears makes a profit on a customer, not a transaction. With the publicity given the class action suits, the word-of-mouth reports to other customers from those caught in this fiasco, and the extra costs incurred by Sears in pursuing their present plan, it is entirely possible that Sears will end up with a loss–rather than saving $2,000,000."

The Verdict is Now In

A California Superior Court jury handed down a verdict against Sears–$158,000 in compensatory damages and $10 million in punitive damages. Sears says they will file a motion for a new trial–Sears maintains that they shouldn't have been a defendant, especially after the insurance company, originally a joint defendant, settled before the trial for a nominal amount.

But consider the stories told by the plaintiffs to local papers.

Lynda Finkes said she and her husband commissioned the work in August 1972–it was to be a new rumpus room. They signed the contract and started paying $120 a month in late August but did not hear from Sears until a load of lumber was delivered in December 1972 and from then until December 1973, they kept calling Sears inquiring about the work. Finally, in December 1973, they broke ground for the foundation and knocked out the entire kitchen wall and part of an adjoining bedroom wall, covering the opening with a thin sheet of plastic.

For three months in early 1974 they couldn't leave the house unguarded. They had to cover themselves with blankets when sitting in the kitchen. They put big cans under the leaks in the roof (California was still having rain in those days). The roof wasn't fixed properly until 1976.

Said Mrs. Finkes when asked why she contracted with Sears, "I'd heard about a lot of fly-by-night outfits involved in the remodeling business and I wanted a reputable company."

Fred Rosener said he contracted in late 1972 to add a new bedroom for $4,000. The workmen soon arrived to "poke holes" in his dining room wall and to lay the foundation. Then he learned that Sears' subcontractor had gone bankrupt–the workmen stopped coming and the rains started. The water collected on the concrete slab and ran into the house causing extensive damage.

Then the bank started demanding payment on the $4,000 loan. (Note: Sears subsequently made arrangements for the bank to cease collection against the people caught in this problem.)

RThought: There is a fundamental principle in retailing. First you take care of your customer–especially when you have told him that since 1886 you have offered "Satisfaction Guaranteed or Your Money Back." Some people in Sears forget that they became so large only through customers–and customers came back only because they were treated well. There is nothing Sears can gain through the law that can make up for the abuse of customers.

Sears maintains that they "satisfied" all except a few that went to court. And now it appears that Sears incurred great legal expenses, saved $2 million, lost $10 million and still has other cases to be tried or settled.

SHORT SHORTS

The **blind and handicapped** can eat at Bob Meyer's restaurant in Wallingford, Connecticut–can they shop in your store? Meyer has a ramp entrance, toilets that accommodate wheel chairs, and a menu in Braille. They represent less than 1% of his business but a much higher percentage of his satisfaction. **RThought**: such planning is required for federal buildings and many state buildings–is it required for your buildings?

The **"broke" businessman's lunch?** That would be the restaurant in Burien, Washington known as "Chapter Eleven, Inc."!

Losses at Town & Country aren't the reason Lane Bryant is closing the division–just "a negative contribution to consolidated earnings," according to Women's Wear Daily.

March 9, 1985

DB

Can you find Rt issue and file

Professor Jeffrey A. Barach
Freeman School of Business
Tulane University
New Orleans, LA 70118

Dear Jeff:

I just wanted to tell you how pleased I was to see a quotation on the Golden Rule from my newsletter, RETAILING TODAY, in your article on "The Ethics of Hardball" that appeared in the Winter 1985 issue of California Management Review.

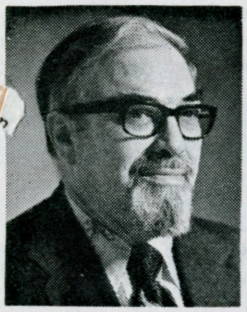
I happened to read the article Thursday night while flying back from a meeting of the Board of Wal-Mart Stores; and then when I got home, I found that Roger Dickinson at the University of Texas at Arlington had photocopied it and sent it to me.

I think the more people who recognize the universality of the Golden Rule, the better off we will be.

I liked your statement -- "The Golden Rule is the mother lode of social ethics."

Sincerely,

Robert Kahn, CMC



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ROUTE TO

MARCH 1977

VOL. 12, NO. 3

APOLOGY

In the January RT there was an item "Giant Stores Revisited." Apparently discounters are quickly forgotten. A number of people thought that this referred to Giant **Food**, Inc., of Washington, D.C. Not so–this referred to Giant **Stores** Corporation of Massachusetts. We apologize for any embarrassment we caused Giant Food, Inc., of Washington, D.C.

CHANGING CONSUMER ATTITUDES

Professors Barksdale (University of Georgia), Darden (University of Arkansas) and Perreault (University of North Carolina) reported on their third national survey of consumer attitudes toward marketing, consumerism and government regulations in the Winter 1976 issue of *The Journal of Consumer Affairs* ($3 a single copy, American Council on Consumer Interests, Stanley Hall, Univeristy of Missouri, Columbia MO 65201). The surveys were taken in 1971, 1973 and 1975.

Only a few highlights can be presented here but it is suggested that interested parties order the issue of The Journal. RT will touch on only the areas of changing views or the area of fixed views that may differ from the common retail perception.

Consumers don't think that manufacturers believe the consumer is right but rather feel that manufacturers shirk their responsibility while concentrating on profit despite the consumer's belief that competition insures fair prices. Quality of products is not improving and consumers prefer product improvement to style change. (**RThought**: Is the oft-reported "trading up" just an attempt to keep the same quality.)

Consumers do perceive differences between products but interestingly fewer believe that advertised products are generally more dependable than unadvertised ones (either a cause or an effect of the growth of private labels through Sears, Penney, Radio Shack, Standard Brand Paints, ad infinitum).

Over the years half have been of the opinion that our marketing system works more efficiently than others–with most of the remaining consumers being uncertain. But they are not convinced that repair and maintenance services are improving though they do feel that when manufacturers guarantee their products they will back that guarantee.

Consumer problems are more serious than in the past. A growing percentage, now more than half, feel that more information is needed. The percentage of consumers that will pay more for a product that causes less pollution has dropped significantly (from 42% to 26%). Consumers are realistical–more than three quarters recognize that mistakes in buying products are due to their own carelessness or ignorance.

A MATTER OF ETHICS

RT long admired the leadership and standards of Richard Rich who, for many years, headed Rich's in Atlanta. In May 1975, RT expressed in this box its thoughts following his death. His name has recently been mentioned as a leader in moral conduct.

In the February 1977 RT, under the title "Do You Support Bigotry?." RT urged retailers to take the lead in removing support of such clubs as the Piedmont Driving Club in Atlanta, from which Attorney General Bell and Director of the Office of Budget and Management Bert Lance were forced to resign. The club admits neither Jew nor Black–there is no by-law ban; it is just that members come in only through invitation.

In a story about the Piedmont Driving Club in the New York Times Magazine (Feb. 6, 1977) the following appeared:

> "A number of years ago, Richard Rich was invited to join the club. 'Are you changing your policy or making an exception?' the senior Rich wanted to know. 'We're making an exception,' he was told. 'Then I don't care to join,' Mr. Rich replied."

Most consumers feel that manufacturers make a sincere effort to adjust complaints but an even higher percentage think their procedures are not satisfactory. They feel with increasing strength (up from 48% to 57%) that the consumer crusade has been an important factor in changing business practices and the number who recognize Ralph Nader's contribution has grown from 51% to 69%. Three quarters feel that exploitation of consumers deserves more attention.

This feeling carries over into their concept of government responsibility. Three quarters feel that the government should test competing products and slightly fewer think minimum standards should be set. About 60% (declining slightly) feel the government should exercise more control over advertising while three quarters support a Federal Department of Consumer Affairs despite their preference for self regulation by business (highlighting the opportunity business is missing).

Today's high prices are critical with them. Their wages are not keeping up with prices and a growing percentage attribute the high prices to excessive profits of wholesalers and retailers (up from 57% in 1973 to 65% in 1975). But they are evenly split on the question of price control.

Men and women differed only slightly in their responses. Men were more favorable to the American marketing system, less compelled to government intervention and thought better of national brands and national advertising.

RThought: This brief summary does not give the full story. Order the issue and study the report for yourself.

WHO TURNS DOWN NEW ACCOUNTS?

James F. Smith, a Senior Economist for the Federal Reserve System, in an article appearing in the Quarterly Report of the Conference on Personal Finance Law (Winter 1976, 115 Broadway, N.Y., N.Y. 10006, $5/year.) summarized the turn-down rates on new accounts during 1975 based on data drawn from a variety of sources–American Petroleum Credit Association, Credit Research Center, National Consumer Finance Association and the Federal Reserve System.

The Table below shows some of the categories:

Type of Credit	Turn-down%
Commercial banks–credit cards	50%
Commercial banks–closed end credit	21%
Commercial banks–single payment loans	20%
Finance companies–all types	30%
Oil companies	38%
Other credit cards (Diner's, etc.)	25%
Retailers	25%

The tabulation also shows the number of accounts held by various credit grantors:

Type of Lender	No. Accounts
Department stores	196 million
Bank Credit cards	40 million
Oil companies	91 million
Other credit cards	20 million

RThought: The 50% turndown rate on bank credit cards and 40% on T&E credit cards, compared with 25% on retail credit accounts is probably the main reason why retail store credit accounts will continue for a long time despite the arguments of the bank credit cards that they can do the entire job.

CONSUMERISM IN EUROPE

The International Association of Department Stores reported in their February 1977 *Retail News Letter* that the European Bureau of Consumer Unions has submitted to the Commission of the Common Market their recommendation on action to be taken to improve after-sale service of consumer durables. These items move duty-free between countries in the Common Market and so require a Common Market standard to simplify consumer acceptance.

The suggestions made were:

1. More rigorous standards of manufacture and quality control.
2. National laws setting uniform minimum guarantee periods with the content of the guarantee regulated.
3. Operating instructions to accompany each appliance together with information on the firms to contact in case of breakdown.
4. Improvement in repair service including requiring writte.. estimates of repair costs and providing loaned replacements if repairs take extended time.
5. Establish standards for repair such as: 80% of repairs to be completed on the first visit by repairman.
6. Require parts to be available for twice the normal life with "normal life" to be determined by a research study.

LITTLE CHANGE IN P/E RATIO FOR RETAIL STOCKS IN 1976

The Table below shows the very slight change in the market valuation of the earning power of retail stocks. The median P/E ratio of those stocks on the New York and American Exchanges started and ended the year at 8x and 5x, respectively, while those stocks traded over-the-counter rose slightly from 5x to 6x. On the other hand, the P/E ratio for the Dow Jones Industrials dropped during the same period–from 11.4x to 10.5x. Thus, retail stocks rose slightly relative to the Dow.

The Table below shows the distribution of stocks by price/earnings ratios. One good sign is the decrease in the number of firms operating at a loss–from 18% of the firms reported in December 1975 to 10% at December 1976.

	NEW YORK		AMERICAN		O.T.C. NATIONAL LIST	
P/E Ratio	12/31/75	12/31/76	12/31/75	12/31/76	12/31/75	12/31/76
Loss	23	7	22	12	22	18
1-4x	7	2	23	15	29	33
5-6x	19	31	24	34	30	34
7-8x	23	36	10	13	24	34
9-10x	12	19	4	10	13	11
11-15x	19	25	9	5	8	12
16-24x		10		3		5
25-49x	19	2	5	2	15	2
50x		1		-		1
	122	133	98	94	141	150
Median P/E	8x	8x	5x	5x	5x	6x

RThought: RT publishes a companion publication called STOCK DATA giving, for each month, and cumulative for the months during the year, the month-ending price and price/earnings ratio for over 400 retail stocks. Subscription price is $10 a year– **write for a sample issue** and return the invoice if you do not wish to subscribe.

TO ASSURE A MEANINGFUL DISCLOSURE OF CREDIT TERMS

Failure to do this in its conditional sales contract has cost Kimbrell's, Inc. (48-store southeast furniture chain with a net worth of $19 million) more than $125,000 in a class action brought against just one store. The door is open for similar suits in all of the stores and the cost to Kimbrell's is hard to project.

Kimbrell's, according to the opinion, used a confusing form of presenting the disclosures required by Truth-in-Lending and in some cases they did not use correct discriptive terms. For example, they entered different amounts at different places on the form following the same descriptive term.

As the judge wrote: "The computations and disclosures require the reader to switch back and forth between the two columns of figures. The result is a confusing situation which is not yet thoroughly understandable to me despite a considerable period of study."

The judge found the following shortcomings:
A. Misleading labels where precise terminology is required.
B. The form obscures required information by entering inadequately defined additional information.
C. Components of the finance charge are not disclosed.
D. Lack of meaningful sequence in the disclosure.

Because of this the judge directed Kimbrell's to pay $100,000 to be split between the valid members of the class (740), $25,000 to the attorney for the class (Legal Aid Society of Mecklenburg County, North Carolina), costs of the action, and the costs of verifying the status of the 740 claimants and distributing the money to them.

RThought: Even when the action was filed in 1975, Kimbrell's did not modify their contract form. Thus, right up to the date of the decision (November 1976) they were using forms that a Federal District Court has ruled do not comply with the "meaningful disclosure" requirements of Truth-in-Lending. One might well consider this a form of living dangerously. Their attorneys may well have advised them that if they modified their form in response to the suit that it would constitute an admission that the contract form did not comply with Truth-in-Lending.

THE IMPERFECTIONS OF REPORTED WEEKLY RETAIL SALES

Each week, on Friday, the Department of Commerce releases a report on weekly retail sales. Promptly the Dow Jones jumps or collapses. The world is waiting for the consumer to fuel the recovery or confirm the recovery or halt the recovery or something.

No one asks—how significant are the figures or how significant are the variations from week to week.

The figure most often cited is the seasonally correct figure. That means that statistical procedures have been applied to the new raw data to try to compensate for changing holidays and normal seasonal variations. Unfortunately, the raw figures don't move that regularly. Holidays fall on different days each year; school openings and Easter can even move from month to month. No one has attempted to respond to the complaint of Mark Twain that "Everyone talks about the weather but nobody does anything about it".

So what has happened recently? There was a big jump for the week ending December 4th, which probably reflected an imperfect adjustment for the fact that Thanksgiving fell in a different week. There was another jump for the January 1, 1977 week which probably indicates an imperfect adjustment for the holiday falling on a Saturday.

As every retailer knows, the problems of planning sales by days in the two weeks before Christmas is extremely difficult because Christmas usually falls a day later—but in 1976, because of leap year, it fell 2 days later and on a Saturday.

If you can't adjust accurately for your own store, how can you expect the Bureau of the Census to do it for the United States?

The week of January 15, 1977, showed a major drop—enough to cause Mr. Dow and Mr. Jones to start fighting with each other. The report didn't mention a word about the massive cold spell and fuel shortage.

The succeeding weeks also showed drops—with plants closing, people unable to move about, transportation at a halt, store hours being shortened.

The pontifical Bureau of Census announced to the unthinking stock brokers and newspaper reporters that "last week retail sales declined by 'x'%".

If the world was changed by the power of the pen, then we must conclude that the economy is disrupted by the pocket calculator. Not until the week ending February 4th did the Bureau of Census observe that there had been unusual cold weather and a fuel crisis throughout much of the U.S.

THE FINE PRINT DIDN'T PROTECT FINGERHUT

The San Francisco District Attorney has an aggressive Consumer Fraud Unit. In January 1977 it settled a false advertising complaint against Bank of America for $275,000. This time it objected to a mailing by Fingerhut and it cost Fingerhut $100,000!

The objectionable ad offered a $79.95 tape recorder for the "discount price" of $29.95. A Spanish-speaking woman complained when she tried to order three tape recorders she was billed for $560.52 which included 45 cassette tapes she did not want.

The total offer was really $176.52 for the discounted tape recorder and 15 cassette tapes. Fingerhut claimed that the tapes were an "exclusive offering" and that comparable tapes sold elsewhere at substantially higher prices, yet the Consumer Fraud Unit found that the identical tapes were readily available at retail stores throughout California and at substantially lower than Fingerhut's price.

RThought: The lesson here is simple. It is not enough to put all the details someplace in the ad—the details must be presented so that a reader readily understands what is being offered.

STATE-SPONSORED FRAUDULENT TAX RETURNS

In the December 1976 RT, under the heading "Should Retailers be Compelled to Aid Tax Fraud?", I reported recent action taken by California (action that has been proposed—and perhaps passed—in other states under the guise of a consumer benefit).

The facts are these: AB 219 requires as of March 1, 1979, that retail sellers who have annual sales in excess of $150 million on retail installment accounts (revolving accounts) must provide the buyer with a statement of finance charges assessed in the previous year.

A number of retailers are already providing such a statement on computer-prepared statements.

A reader for whom I have high respect and who is an outstanding consumer credit expert has challenged my position but we terminated our discussion without reaching agreement. With the thought that others may have misunderstood the argument involved, I will expand on it here.

In defending the California law, reference was made to the instructions on income tax returns that permit the deduction of finance charges as interest. Many will recall that at one time the IRS took the position that finance charges were not interest but that a person paying finance charges could deduct a portion as interest. It arbitrarily set that amount at 6% per annum on the unpaid balance.

The IRS has now conceded that finance charges can be treated as interest. That point is covered in the instructions for tax returns. But instructions do not indicate **when** finance charges are deductible.

At other points in the instructions it is clearly stated that interest is deductible by a cash-basis taxpayer when it is paid; and by an accrual-basis taxpayer when the liability accrues.

Thus it is clear that for almost all taxpayers (very few individuals use the accrual method) the deduction can be taken only when paid.

Now let us look at an example of what California has required. If a customer opened an account in November, charged $100, paid nothing during the cycle closing in December, and so was billed $1.50 finance charge on that statement, AB 219 would require that he receive a statement showing that $1.50 was assessed during the year. However, this is not deductible by a cash-basis taxpayer unless he **paid** $1.50 or more prior to the end of December. If he paid it in January it would not be deductible until the following year regardless of what the California legislature required.

RThought: RT brought this matter to the attention of the Commissioner of Internal Revenue, Members of the Senate and Congress, Governor Brown, the California Attorney General and others with the hopes that somewhere in our governmental structure there is someone who would bring action against the California law (and possible other state laws) to eliminate orders for business to provide information on which to file a false tax return.

DANGERS IN THE EFTS/CREDIT CARD SYSTEMS

Every retailer who is thinking about Electronic Funds Transfer Systems (and particularly those who are currently thinking favorably) should read *The Nilson Report* (twice monthly for $125/year., 13515 Bayliss Rd., P.O. Box 49936 (Barrington Station), Los Angeles, CA 90049).

Spencer Nilson is trying to warn people of the dangers inherent in the system. In Issue 155, he covers a number of areas. The "Stingo Group" who stole credit cards in New York, flew them to Florida, bought up to $1,000 a day in small appliances and like items and converted the purchases to cash through flea markets. He dealt at length with the weaknesses of Personal Identification Numbers (PIN) and calls them a "Rip-off." He deals with the testimony of Aetna Casualty & Surety Company before the National Commission on EFT (Aetna provides a $1 million deductible loss policy for Master Charge) on their view of crime efforts if EFTS is implemented.

The Nilson Report is designed for credit card executives and does a great job.

NO WONDER RETAILERS HAVE A BAD NAME

The Dec/Jan "Spotlight" of the BBB of San Francisco lists some of the finest names in retailing—for bad conduct.

Fingerhut Corporation was being sued by the San Francisco District Attorney for false, fraudulent and deceptive advertising. Merribee Needlearts and Crafts (part of Tandycrafts) and Jonathan Logan Fabric Warehouse (an outlet store) cited for failure to respond to requests for proof of savings claimed in advertising. Lerner Shops (Rapid-American) "has not responded to complaint(s) or has taken an inordinate length of time to do so."

RThought: You might remember this the next time Riklis of Rapid-American or Tandy of Tandy Corp/Tandycrafts/Tandy Leather gives a talk.

DO CUSTOMERS WANT EFTS?

The Cleveland Consumer Action Foundation (bait & switch, Vol. III No. 1, 532 Terminal Tower, Cleveland, Ohio 44133, $5/yr.) reported on the percentage of employees who signed up for electronic deposit of payroll checks: only one-third of employees at Acme-Cleveland chose electronic; 383 out of 2800 at East Ohio Gas; 85% of management, 40% of clerical and 5% of hourly employees at General Electric's Nola Park Division and 70% of Ernst & Ernst (the company admitted employees were "encouraged" to sign up).

Glidden and Durkee divisions and SCM and Xerox forced all employees into the plan.

Not all employees have or want or are eligible for checking accounts.

EFTS is going to get broad use only by forcing it on employees and customers—and this will soon lead to a court test on whether such action constitutes a violation of civil rights.

WORDS TO LIVE BY

Wars based on religious difference have been with us since the beginning of religion. Jew against Moslem, Moslem against Christian, Protestant against Catholic, Hindu against Moslem—the list goes on.

Yet, look at the words from the great religions:

Buddhism: Hurt not others in ways that you yourself would find hurtful.

Christianity: Whatsoever you wish that men would do to you, do so to them; for this is the law and the prophets.

Confucianism: Tsze-Kung asked, saying "Is there one word which may serve as a rule of practice for all one's life?" The Master said: "Is not reciprocity such a word? What you do not want done to yourself, do not do to others."

Hinduism: This is the sum of duty: do naught unto others which would cause pain if done to you.

Judaism: What is hateful to you, do not to your fellow man. This is the entire Law: all the rest is commentary.

Moslem: No one of you is a believer until he desires for his brother that which he desires for himself.

"SHORT-SHORT CATCH-UP"

· it is the Lucky Lowe's retirees—replacing the old stories about Sears' retirees. **Ebony** (February 1977) had a feature story about Charles Valentine who worked 17 years for Lowe's Companies and never made more than $125 a week. He now owns and operates a 270-acre dairy farm and has built a 14-room home (with Lowe's materials). But others have done even better—a personnel manager left the company when he was 50 and received $3.5 million from the profit-sharing plan!

Improvement without legislation—a trend in business that should be encouraged. In November 1976, the National Canners Association urged its members to show the solid weight as well as the net weight on foods packed in fluids. Del Monte is now showing labels that will soon be on supermarket shelves. It's true that the FDA was about to issue regulations when this was done voluntarily—perhaps next time the move can come when FDA is just thinking about it.

Wonder what has happened to your children's department? From April 1, 1970 to July 1, 1976, the number of children under 10 declined by 12%—there are 4.4 million fewer.

The "new" Levitz heeds the customer—their ad now reads "KEEP YOUR COOL. If you have a problem your local store manager doesn't solve, call Miami, Florida Headquarters toll free 1-800-327-7645."

Does Standard Brand Paint owe its great success to the slogan at the top of every ad? Their sig-cut says "Buy the Best—Every item in our stores is certified by our Buying Laboratory." Elsewhere the heading says "Everything always sold with an unconditional money back guarantee." Standard Brands Paint is one of the great success stories in retailing—and is rewarded with one of the highest price/earnings ratios (about 20) of any retail stock.

If American Can does acquire Pickwick International (record/tape merchandiser) does this mean the day of real canned music has arrived?

Supermarket logic is odd. Merle Goddard, long-time and effective spokesman/lobbyist for the California Grocers Association, told a legislative hearing on a bill to extend mandatory item price marking, "We will fight anything that adds unnecessarily to the cost of doing business," yet has never advocated banning stamps or games or bargain price dishes, books, or other gimmicks. Of course, the consumer benefit from stamps or games is less clear than unit price marking and contributes less to the ability to compare prices.

Sears has faith in concessionaires despite losing $10 million because of failure of Add-A-Room concessionaire. It has recently opened a 3,600 sq. ft. dental clinic to be operated during all store hours by National Health Care Systems of Irvine under the name Denticare. **RThought**: Is there a real future for a retailer identified by kids as the place where they had their first cavity drilled out?

A bright side of a terrible winter? Menswear Retailers of America reported one Oklahoma member whose January sales were off 56% as seeing the bright side—"next year's figures will look great . . . won't they!"

Kurt fights for us! That would be Kurt Barnard, formerly President of the National Mass Retailing Institute and now Executive Director of the newly-formed Federation of Apparel Manufacturers. Recently fabric suppliers have started to add "energy surcharges" to the contractural price for fabrics thus chiseling a bit in the old American manner. Kurt is urging (he sent letters to 3,000 manufacturers) that they resist such charges. If Kurt is as effective in his new job as he was in his old, you will never see an "energy surcharge" appearing on the invoices from your apparel manufacturers.

Long-living customers? A recent mail order catalog advertised the Fisher "Space Pen," useful in space because of its pressurized filler, with the comment "In normal use, the Space Pen won't dry out in your lifetime." How is it sold? In units of 12 pens and 4 refills!

A new way to stress low prices. Haband of Paterson, the large direct-mail men's retailer that grew from inexpensive neckties to a full-line men's store, says across the back of their envelope, "It is as though someone in your family is in the business!" Apparently they have found some advantage in using as a return address "M. Habernickel, Jr." instead of "Haband."

A banker never ducks giving a speech—not with the American Bankers Association providing him "24 fast-paced speeches written especially for . . . addressing civic groups, schools, service clubs, women's forums, youth groups and special workshops" and having such inviting titles as "Free Enterprise Is Not a Dirty Word" or "Business, Jobs and Capital Investment." The speeches are $8 each, or $96 for the set (perhaps higher to non-members of the ABA). For information write to ABA, 1120 Connecticut Avenue, NW, Washington, D.C. 20036. (**RThought**: don't retail trade associations have in-house writers available?)

Macy*s NYC is trading up? Or is this the new image? The headline in a Village Voice ad reads "Macy*s pulls a first on seconds, offering irregular percale sheets at 46%-50% savings." "A stitch away from perfection" may stretch the definition of "irregular" and the "seconds" mentioned in the headline are not even offered! **RThought**: copywriters often get carried away with their cleverness.

Can magnets, metal detectors, X-rays and radars erase magnetic tapes? The National Bureau of Standards tried them all—plus applying heat, freezing, putting tapes in microwave ovens and more. They came to a conclusion: "there is virtually only one way to erase a tape—use an intense magnetic field at close range." **RThought**: will this mean that the computer room can keep their coffee (tea?) pot and TV?

Peavey Company (Peavey's Building Supply Centers, Fish's Building Supply, Northwest Fabrics, National Agri-Service-Canada) **demonstrated the profit in shortweighing**: After pleading no contest, accepted as a guilty plea, they were fined the maximum of $10,000 (as were 3 other firms indicted with Peavey) for gaining 1.4 million bushels of saleable grain through a conspiracy to shortweigh incoming and outgoing shipments over a period of 6½ years. That works out to $1,500 a year. The grain cost the 4 companies under 3¢ a bushel (plus legal costs plus disgrace). Dirty cheap.

CREDIT OFFICE RATING

As it does every year, the peak December sales resulted in slower billing. The average time increased substantially for bo groups of stores. But there still were a good number of Honor Roll stores—all deserve congratulations:

Rubenstein's	2.2	I. Magnin	3.7	Joske's	4.0
Hink's	2.2	Hess'	3.8	Joseph Magnin	4.0
M. Levy Co.	3.0	Oshman's	3.9	Maison Mendesolle	4.0

Information From Reporters	DEC.-JAN. 1977 No. of Reports	DEC.-JAN. 1977 Days to Bill Average	DEC.-JAN. 1977 Days to Bill Range	OCT.-NOV. 1976 No. of Reports	OCT.-NOV. 1976 Days to Bill Average	OCT.-NOV. 1976 Days to Bill Range
The Broadway (LA)	1	7.0	7	––	––	––
Bullock's (No. Cal.)	11	9.1	8-11	8	6.1	5-8
Capwell's (No. Cal.)	13	7.8	6-10	11	6.6	6-9
Emporium (No. Cal.)	3	7.0	5-10	4	6.0	6
Grodin's (No. Cal.)	2	7.0	4-10	2	5.5	5-6
Gump's (SF)	1	13.0	13	––	––	––
Hasting's (No. Cal.)	2	5.0	4-6	1	6.0	6
Hudson's (Detroit)	2	10.5	10-11	––	––	––
Joske's (Houston)	1	4.0	4	––	––	––
M. Levy Co. (Shreveport)	1	3.0	3	––	––	––
Liberty House (No. Cal.)	2	5.0	4-6	1	5.0	5
Livingston Bros. (SF)	3	8.3	7-10	1	9.0	9
Macy's (SF)	6	7.8	6-9	6	6.5	6-8
I. Magnin (SF)	6	3.7	3-4	1	5.0	5
Joseph Magnin (SF)	3	4.0	3-5	3	2.7	2-3
Maison Mendessolle (SF)	1	4.0	4	2	2.0	2
Montgmry Ward (No. Cal.)	1	9.0	9	3	4.3	3-5
Montgmry Ward (Dallas)	1	8.0	8	––	––	––
Penney's (LA)	1	10.0	10	1	5.0	5
Penney's (Chicago)	1	7.0	7	––	––	––
Robinson's (LA)	1	5.0	5	1	6.0	6
Roos/Atkins (NY)	2	7.0	4-7	––	––	––
Sears (Alhambra)	3	6.3	4-8	3	6.3	4-8
Shreve & Co. (SF)	1	11.0	11	1	10.0	10
A. Sulka (NY)	1	8.0	8	––	––	––
Swanson (Kansas City)	1	10.0	10	––	––	––
TOTAL	71	7.3	3-13	49	5.8	2-10

Information From Stores	DEC.-JAN. 1977 No. of Reports	DEC.-JAN. 1977 Days to Bill Average	DEC.-JAN. 1977 Days to Bill Range	OCT.-NOV. 1976 No. of Reports	OCT.-NOV. 1976 Days to Bill Average	OCT.-NOV. 1976 Days to Bill Range
Brock's (Bakersfield)	18	9.2	6-12	18	7.2	5-9
Hess's (Allentown)	8	3.8	3-5	4	4.5	4-5
Hink's (Berkeley)	9	2.2	2-3	17	2.4	2-5
Holman's (Pacific Grove)	10	10.4	7-13	7	7.6	3-8
Iver's (LA)	10	5.8	4-10	20	3.2	2-5
Levee's (Vallejo)	13	5.8	4-10	20	3.2	2-5
Levy Bros. (San Mateo)	16	8.8	4-12	––	––	––
Mervyn's (No. Cal.)	20	5.0	4-6	20	4.3	3-5
Oshman's (Houston)	11	3.9	3-5	4	3.8	3-4
Penn Traffic (Johnstown)	10	5.5	5-7	10	5.0	4-6
Routzahn's (Maryland)	1	5.0	5	2	2.5	2-3
Rubenstein's (Shreveport)	6	2.2	2-3	5	2.2	2-3
Wineman's (Hntngton Pk.)	8	7.0	5-8	8	10.5	8-13
TOTAL	140	6.1	2-13	125	4.7	2-13

WHY A CREDIT OFFICE RATING? The Unruh Act (in California) controlling revolving accounts went into effect about 1963 just as the Office of Consumer Counsel was created. Consumers were complaining that they received statements so late that they had an additional service charge before they could pay their bills. Consumer groups were proposing laws that would have been impossible to meet with equipment and procedures in major stores. The CREDIT OFFICE RATING was initiated to bring this problem to the attention of influential people within store management.

WHAT HAPPENED–THEN AND SINCE? Initially, I was criticized for publishing the data and especially for naming stores. Since then the reports have been accepted for their intended purpose and many stores have sought to attain the Honor Roll objective, established at the beginning at five working days between cycle closing and postmark date, and now reduced to four days because of the large number of stores that have attained five days. Many stores have reported pride–both to management and credit and data processing personnel–in being listed on the Honor Roll.

HOW IS TIME COMPUTED? We do NOT count the cycle closing date but do count the postmark date, and then deduct Sundays and those holidays observed by the preponderance of stores.

HOW ARE THE FIGURES COLLECTED? Volunteer reporters send in form postcards reporting their own bills showing store name, closing date and postmark date. On receipt of one report, another form is forwarded. YOU CAN VOLUNTEER TO SERVE AS A REPORTER.

START YOUR OWN REPORT. Every store should keep this data on every cycle and establish their own goals. Other geographic areas should start a similar report and I will be glad to assist any such group.

January 18, 1978

Mr. Robert Kahn, CMC
P. O. Box 343
Lafayette, CA 94549

file w/ RS

Dear Mr. Kahn:

In Vol. 12, No. 3, of Retailing Today you published a piece titled "Words to Live By" that moved me greatly. A copy is attached.

It has great relevance to my course, Business, Society, and the Individual here at Tulane.

May I have permission to reproduce it for my students?

Thank you for considering my request.

Sincerely,

Jeffrey A. Barach
Associate Professor of
Marketing

JB:mpl
Enclosure

Your Request is Approved: OK

Signed:

Date: 1/23/78

e terminated our discussion without reaching With the thought that others may have misunder- argument involved, I will expand on it here.

ding the California law, reference was made to the ions on income tax returns that permit the deduction nce charges as interest. Many will recall that at one time RS took the position that finance charges were not st but that a person paying finance charges could deduct rtion as interest. It arbitrarily set that amount at 6% per um on the unpaid balance.

ne IRS has now conceded that finance charges can be treated s interest. That point is covered in the instructions for tax returns. But instructions do not indicate **when** finance charges are deductible.

At other points in the instructions it is clearly stated that interest is deductible by a cash-basis taxpayer when it is paid; and by an accrual-basis taxpayer when the liability accrues.

Thus it is clear that for almost all taxpayers (very few individuals use the accrual method) the deduction can be taken only when paid.

Now let us look at an example of what California has required. If a customer opened an account in November, charged $100, paid nothing during the cycle closing in December, and so was billed $1.50 finance charge on that statement, AB 219 would require that he receive a statement showing that $1.50 was **assessed** during the year. However, this is not deductible by a cash-basis taxpayer unless he **paid** $1.50 or more prior to the end of December. If he paid it in January it would not be deductible until the following year regardless of what the California legislature required.

RThought: RT brought this matter to the attention of the Commissioner of Internal Revenue, Members of the Senate and Congress, Governor Brown, the California Attorney General and others with the hopes that somewhere in our governmental structure there is someone who would bring action against the California law (and possible other state laws) to eliminate orders for business to provide information on which to file a false tax return.

DANGERS IN THE EFTS/CREDIT CARD SYSTEMS

Every retailer who is thinking about Electronic Funds Transfer Systems (and particularly those who are currently thinking favorably) should read *The Nilson Report* (twice monthly for $125/year., 13515 Bayliss Rd., P.O. Box 49936 (Barrington Station), Los Angeles, CA 90049).

Spencer Nilson is trying to warn people of the dangers inherent in the system. In Issue 155, he covers a number of areas. The "Stingo Group" who stole credit cards in New York, flew them to Florida, bought up to $1,000 a day in small appliances and like items and converted the purchases to cash through flea markets. He dealt at length with the weaknesses of Personal Identification Numbers (PIN) and calls them a "Rip-off." He deals with the testimony of Aetna Casualty & Surety Company before the National Commission on EFT (Aetna provides a $1 million deductible loss policy for Master Charge) on their view of crime efforts if EFTS is implemented.

The Nilson Report is designed for credit card executives and does a great job.

NO WONDER RETAILERS HAVE A BAD NAME

The Dec/Jan "Spotlight" of the BBB of San Francisco lists some of the finest names in retailing—for bad conduct.

Fingerhut Corporation was being sued by the San Francisco District Attorney for false, fraudulent and deceptive advertising. Merribee Needlearts and Crafts (part of Tandycrafts) and Jonathan Logan Fabric Warehouse (an outlet store) cited for failure to respond to requests for proof of savings claimed in advertising. Lerner Shops (Rapid-American) "has not responded to complaint(s) or has taken an inordinate length of time to do so."

RThought: You might remember this the next time Riklis of Rapid-American or Tandy of Tandy Corp/Tandycrafts/Tandy Leather gives a talk.

DO CUSTOMERS WANT EFTS?

The Cleveland Consumer Action Foundation (bait & switch, Vol. III No. 1, 532 Terminal Tower, Cleveland, Ohio 44133, $5/yr.) reported on the percentage of employees who signed up for electronic deposit of payroll checks: only one-third of employees at Acme-Cleveland chose electronic; 383 out of 2800 at East Ohio Gas; 85% of management, 40% of clerical and 5% of hourly employees at General Electric's Nola Park Division and 70% of Ernst & Ernst (the company admitted employees were "encouraged" to sign up).

Glidden and Durkee divisions and SCM and Xerox forced all employees into the plan.

Not all employees have or want or are eligible for checking accounts.

EFTS is going to get broad use only by forcing it on employees and customers--and this will soon lead to a court test on whether such action constitutes a violation of civil rights.

WORDS TO LIVE BY

Wars based on religious difference have been with us since the beginning of religion. Jew against Moslem, Moslem against Christian, Protestant against Catholic, Hindu against Moslem—the list goes on.

Yet, look at the words from the great religions:

Buddhism: Hurt not others in ways that you yourself would find hurtful.

Christianity: Whatsoever you wish that men would do to you, do so to them; for this is the law and the prophets.

Confucianism: Tsze-Kung asked, saying "Is there one word which may serve as a rule of practice for all one's life?" The Master said: "Is not reciprocity such a word? What you do not want done to yourself, do not do to others."

Hinduism: This is the sum of duty: do naught unto others which would cause pain if done to you.

Judaism: What is hateful to you, do not to your fellow man. This is the entire Law: all the rest is commentary.

Moslem: No one of you is a believer until he desires for his brother that which he desires for himself.

CALIFORNIA MANAGEMENT REVIEW
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Bob
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AB
Put in
March 1977
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The Ethics of Hardball

Jeffrey A. Barach

At a Sunday picnic, an easy game of softball is a safe bet to make sure that nobody gets hurt. If the game switches to hardball, there is less protection, the stakes are higher, the competition intensifies, and the likelihood that the players might get hurt increases dramatically. Business has its own brand of hardball and the price of success involves ethical pressures—playing to win may involve hurting someone. Some say that "business ethics" is a contradiction in terms. It is true that sometimes businessmen are pressured to compromise their standards. It clearly depends on the particular company, the climate of the industry, and the exigency of the times. A cutthroat industry facing hard times is no place for a frustrated preacher; on the other hand, there are companies which consistently maintain enviable standards of fairness and responsibility. While to some, Sunday School ethics and business ethics are not the same thing, both consist of a set of rules. The rules for the game of business are the ethics of hardball.

The Golden Rule and the Zero-Sum Game

> *Buddhism:* Hurt not others in ways that you yourself would find hurtful. *Christianity:* Whatsoever you wish that men would do to you, do so to them, for this is the law and the prophets. *Confucianism:* Tsze-Kung asked, saying "Is there one word which may serve as a rule of practice for all one's life? The Master said: "Is not reciprocity such a word? What you do not want done to yourself, do not do to others." *Hinduism:* This is the sum of duty: do naught to others which would cause pain if done to you. *Judaism:* What is hateful to you, do not to your fellow man. This is the entire Law: all the rest is commentary. *Moslem:* No one of you is a believer until he desires for his brother that which he desires for himself.[1]

The Golden Rule is the mother lode of social ethics and appears in the teachings of every major religion. Yet as any examination of history will show, this rule is constantly violated in all of mankind's endeavors, from

To be a winner and also survive with your conscience intact takes moral fibre and creativity in resolving conflicts and alertness to the needs of society even when they seem irrelevant to the game at hand.

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ROUTE TO

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THE 1980 CENSUS

The Bureau of Census is hard at work on the questions to be asked in the 1980 Census. They are now running their dress rehearsal.

As in the past, a number of questions on population and housing (roughly 15) will be asked of all persons or family units. A larger number of questions will be asked on a sampling basis (varying from 5% to 20%).

Among the new questions tentatively included for 1980 are:
. . . Persons in carpool
. . . Travel time to work
. . . Looking for full-time or part-time work
. . . Usual hours worked per week last year
. . . Wage rates
. . . Ownership of vans and trucks
. . . Shelter costs for homeowners in one-family homes

Certain questions will be deleted:
. . . year of immigration
. . . vocational training taken
. . . employment occupation and industry 5 years ago
. . . whether house has washing machine, clothes dryer, dishwasher, home freezer, TV set, battery radio, telephone, basement
. . . number of bathrooms

The interesting new areas—and the areas where outside views can have an impact on the final decision on the question—are:

Population Census
Need for special services
Barriers to medical care
Type of disability
Highest college degree and field
Full-time/part-time college enrollment
Food stamps
Multiple job holding and selected characteristics
Occupation and industry of job held longest in preceding year
Lifetime work experience

Housing Census
Shelter payments for condominium owners
Shelter payments for mobile homes, including site rent, special fees, etc.
Special housing questions on institutional quarters and quasi-institutional housing
Housing and neighborhood quality

The recently signed amendments to the law providing for a mid-decade census (the first will be in 1985) includes provision for updating statistical data obtained in the 1980 census. The extent of this updating has not yet been determined.

A MATTER OF ETHICS

How good is your guarantee of satisfaction?

If you sold money orders to your customers and the money order company went broke, what would you do?

John Kaelin of El Cajon, California, the owner of a supermarket, was faced with that problem. It was his customers who found themselves holding receipts for $141,300 of worthless money orders—money orders they thought were transferring money to family, friends and creditors. The money order firm was bankrupt. The State of California, acting as liquidator, said only $46,000 would be available—33¢ on the dollar.

What would you do?

John Kaelin paid off the full amount. Why? He said he guaranteed what he sold.

RThought: Sears, with far more resources than John Kaelin, wasn't as prompt when their Add-A-Room Contractor went broke. Perhaps the people in Sears who made the decisions never came face to face with the customers that made Sears the largest retailer in the world (a position they may lose to Safeway and Kresge).

HILLMAN'S AND GIANT FOODS LEAD THE WAY

One of the amazing things about the supermarket industry (which is so prone to issue laudatory statements about the wonders they have accomplished in mass distribution of food) is that they are only successful in efficiently distributing food to rich people.

In most metropolitan areas it seems that the major chains just cannot get out of the central city fast enough. The very people who need their magic are denied the benefits of mass distribution by the executive decisions of the chains.

One finds it difficult to discern the underlying reason. Is it a lack of empathy for the poor? Perhaps when you hear a supermarket executive complaining about the chiselers and third-generation on welfare, you might attribute the departure of chain stores from the central city to retaliation. Is it lack of capital? Certainly the job is being done anyway (in the absence of the chains) by little people with even less capital. Is it because the chains feel that the world is better with two classes of American citizens–those allowed to enjoy the benefits of the supermarket industry and those that, by supermarket chain management decision, are to be denied the benefits?

The next time you see a food warehouse store start up in a community, check to see where it is located. Is it placed among the poor that desperately need the lower prices? Probably not. The most likely place to find it is in the affluent neighborhoods–the places where the savings on food may be spent on more motor boats or a new color TV set or another week of vacation.

Hillman Stop and Shop in Chicago (part of Schultz Sav-O Stores) and Giant Foods in Washington, D.C. are deserting the supermarket industry–by going back into the central city areas with adequate food stores. Both promise that food prices will be the same in the central city stores as in the suburbs (another idiosyncracy of the supermarket industry, according to Federal studies, is that they tend to charge higher prices to the poor than to the rich–apparently they misunderstood Robin Hood's theory. Also see following item–"**Competitive Pricing of Milk**").

Giant will have support from three such sources. The minority developer of the store (who has food experience) will buy land from the redevelopment agency at a price below present land costs in the suburbs. Financing will be provided at reduced interest costs through the Department of Commerce (Economic Development Administration). Equity capital for the new corporation that will own the 35,000 square foot store will be provided one-third by Giant and the balance by two community organizations. Giant will operate the store under a management contract but the corporation board will have the right to approve the proposed store manager and to approve capital investments.

COMPETITIVE PRICING OF MILK

Consumers Cooperative of Berkeley, which led the way in fighting retail price controls on milk in California, reports that Lucky Stores and Safeway follow a competitive pricing practice that discriminates against many families. Co-op milk is sold at 64¢ a half-gallon–which both Lucky and Safeway meet only at stores near Co-op stores. When Safeway and Lucky compete with Alpha Beta Stores (just moving into Northern California) they sell half-gallons for 69¢. But when they just compete with themselves, and despite Lucky's claim of "discount prices every day," the price of a half-gallon is 71¢–the last price posted under state control. In Southern California where Safeway and Lucky have smaller market shares they sell milk for 64¢ a half-gallon.

RThought: Co-op claims that this is proof of the policy of major chains to charge more in areas where they dominate the market, and thus subsidize more competitive practices in other areas. Safeway has 26% of the Bay Area market and Lucky has 17%.

HOW KANSAS CITY PHARMACISTS OPERATE

The department of Adult and Occupational Education at Kansas State University recently conducted a survey to determine whether the appearance of the customer had a bearing on the charge for a prescription.

A well dressed student would enter a pharmacy with a prescription for Sumycin 250 #24. 1 to 3 days later the same prescription would be presented by a person who was poorly dressed.

The table below shows the results:

Pharmacy	Prices quoted to "neat appearance" consumer	Prices quoted to "shabby appearance" consumer	Price difference	Percentage Difference
A	$3.55	$3.55	0	0%
B	$3.50	$1.99	$1.51	76%
C	$2.95	$2.95	0	0%
D	$2.20	$2.19	.01	0%
E	$4.13	$2.00	$2.13	107%
F	$3.06	$1.80	$1.24	70%
G	$2.45	$1.85	$ .60	33%
H	$2.69	$2.09	$ .60	29%
I	$2.55	$1.99	$ .56	28%
J	$2.65	$2.60	$ .05	2%

RThought: It is hard for responsible retailers who follow Rowland H. Macy (who successfully established one-price retailing) to realize that this is going on today in our industry. It appears that it is. The publication of the American Council on Consumer Interests has suggested that other consumer classes should make similar studies.

ARE STORE BURGLARIES THE FAULT OF MANAGEMENT?

Anyone knows that the cause of burglaries is burglars? Few managements admit to including burglars.

But it appears that burglaries can be controlled.

Southland Corporation launched a program of making their 7-11 stores safer. They hired ex-burglars to "case" the stores and make recommendations. Many of the recommendations were just common sense–more money kept in the safe and less in cash register drawers, keep the area around the register clear, and keep windows free of signs.

Now Safeway and the Retail Clerks International Association have a joint program going in Washington, D.C. and it is reported that robberies are down 53% and holdups about the same. Again the steps taken were practical ones–requiring 2 keys to open the drop safe (one held by a non-Safeway employee), modifying teller booths, using TV cameras that are turned on by the hold-up alarm.

The Clerks Union is claiming credit–they made a visit to the Mayor of Washington and the Police Department protesting their exposure. But Safeway says they were going to do all these things anyway–the timing happened to coincide.

RThought: the news release on this program has a Safeway spokesman indicating that each Safeway division is autonomous–and he doesn't know if any other divisions will do the same thing. It is about time that retail management–particularly in hold-up prone type retail outlets–quit figuring it is cheaper to have a few employees killed each year and pay the burglary hold-up insurance (or go self-insured) than it is to take the steps that Southland and Safeway (but only in the District of Columbia division) have taken. Thou art thy brothers keeper–even when the Brother is a union member!

MAKING MOUNTAINS OF MONEY MERCHANDISING TO MARKETS THAT MASS MERCHANDISERS MISS

The theme of this story is "Money"–the Big "M"–and how it is made in the shadow of the great merchant organizations.

I recently visited a women's and children's clothing store with a client who had been told that this was a good profitable store–for sale–and that my client might be interested.

Let me give you a few facts. The store was in a secondary (and old) strip shopping center within 2 miles of a modern center that now has 4 department stores–Sears, Wards, Penneys and one of the Carter-Hawley-Hale stores–plus all the national chains. The store is doing about $100/square foot of total space and bringing down 16% on sales and 45% on net worth before owners salary (husband, wife and daughter). Sales are increasing faster than inflation–despite being in a mature residential area.

The clientele (which differs somewhat from that of the shopping center) is a changing one–on many days a majority are black and Chicano. The store merchandises to that clientele. The husband-manager says his wife is the greatest buyer in the world. But he is on the floor most of the day, greeting the customers. And that means almost every customer. As we talked to him he would say a few words–often calling them by name–to almost every person who passed us.

He told us a story of the time he hired a major politician's daughter. He explained that the store policy was to greet everyone. The first day he saw two customers walk past the new employee and the new employee didn't speak to them. A few minutes later he asked her "Don't you like the man and woman over there" and she said "I do. Why?" He then asked "Why didn't you say 'hello'?"

To illustrate his point he said that these people had come into the store wanting to buy something so that the store could pay her salary. Now if a friend came to her house, her father would probably buy some beer and soda water and some salami and crackers–in fact, he might even spend $5 or $6 to make them feel at home. But here in the store all she had to do is be friendly and say "Hello."

The store didn't look like much–in fact, it was last painted 8 years ago when a national junior department store chain moved out because it could not make money (it never got sales over $40 a square foot). It had to be classed as poorly maintained. The fixtures were a mongrel lot with the oldest probably well past voting age.

Everything was wrong–except! Except for the friendliness and concern for the customer. This is something many store executives, comfortable in their paneled offices far from the front door, have failed to provide. I don't think the customers thought the store was decrepit–they just couldn't see the forest because of the friendship.

RThought: I urged my client not to buy it. There was no way his organization could have provided the "tender loving care" that the owner was now providing–and my client was more likely to move it to $50 a square foot than $150 with his electronic POS/EDP merchandising system and the buyers sitting a hundred miles away. But it is good to see that in some stores merchandising continues as it was originally intended–with owners laughing all the way to the bank (where his cash at year end was more than three times his total liabilities).

LEGITIMATE GRIPE AGAINST GOVERNMENT

Most of the times when business gripes against the interference of government in business, RT looks carefully to see how the complainer's ox is being gored. Little sympathy is expressed for those who object to laws requiring disclosure of fiber content in the order of importance by weight, disclosure of dry content of canned foods packed in liquids, restrictions on the conduct of collection agencies, clarification of guarantees and warranties, banning negative options, etc., etc.

But the action of the Consumer Product Safety Commission in calling for the return for full credit of all fire-retardant sleepwear garments treated with Tris is in a completely different category.

The Flammable Fabrics Act, originally enforced by the Federal Trade Commission, became effective July 29, 1972. Merchants were given one year to dispose of merchandise not properly labelled; all new garments had to be properly flameproofed and labelled. Enforcement was transferred to the Consumer Products Safety Commission in 1973.

The goal of the legislation was to reduce the deaths (about 500) and injuries (many thousands) arising from the accidental ignition of flammable sleepwear worn by children, particularly infants. Some experiments had been made with flameproofing fabrics so the legislation took advantage of this newly developed capability–but one that was never subjected to review by the Food and Drug Administration or any health agency to determine the side-effects of this new capability.

Yet everyone knew even in the primitive days of 1972 that children were inclined to suck on their sleeping garments and that their bodies were capable of absorbing chemicals through their skin.

Now we learn that Tris, used in polyester garments, can cause cancer if enough enters a child's body either through the pores or through sucking on the fabric. That is, it could cause such a condition until the garment was washed three times. There is no evidence that any child is developing cancer this way – although there is no evidence that no child will develop cancer.

The Consumer Product Safety Commission responded by requiring all garments sold to consumers but not yet worn to be returned to the retailer for a refund and then, together with store inventory, be returned to the manufacturer. It is estimated that 20 million such garments are now in the hands of retailers–and unknown quantities in the hands of consumers. The cost involved in recalling so many garments are, as yet, beyond estimate–**but the government will not bear a single dollar of that cost.**

It merely ordered the development and sale of the product, it did not mandate any health tests for the flame-proofing chemicals used, and it then ordered the garments recalled–with the consumer and the retailer made whole financially–and the manufacturer bankrupted (where the Federal government also makes the rules).

Small manufacturers are likely to go broke. But they also have the option of refusing to honor the returns, file for Chapter XI, force the retailer to bear the costs (less a proportionate recovery paid out 3 or 4 years from now) and attempt to survive. There is a rather primitive desire on the part of a business to survive–and the manufacturer's actions are likely to spread the cost back on the retailer–with the government again bearing none.

If one were to place the blame it would have to be on the Congress which passed the Flammable Fabrics Act; yet our justice system does not require the Federal government to bear the economic costs of its errors. Somehow we must find a way to make the Federal government responsible for its acts.

EXPANDED SERVICE TO CONSUMER CREDIT COUNSELING AGENCIES

The National Foundation for Consumer Credit (NFCC, 1819 H. Street NW, Washington, D.C. 20006) recently announced a modified method of computing national dues and an increased emphasis on local education programs.

NFCC is the national organization with which your local Consumer Credit Counseling Service (CCCS) is associated (if you don't have a local CCCS, contact NFCC immediately). Local agencies exist because of the cooperation and support of the local credit granters–stores, banks, finance companies. In the past the national agency has been supported by a dues structure based on the operating budget of the local agencies–and the local promotional effort has been a matter of wringing it out of a tight operating budget.

Now the NFCC is changing the rules. In the future, 1% of the amount disbursed by the local agencies will be split evenly between the NFCC (this will increase the national budget by about 50%) and the local education or information programs.

RThought: For some years NFCC has wrestled with the problem of a more realistic method of funding the national office–and now it appears they have it. All retailers should see that (1) they have a local Consumer Credit Counseling Service and (2) that their store is supporting the local program.

CONVENIENCE STORE NEWS IS MIXED UP

First, it tells operators how to break the law with immunity. The following is an entire article that appeared in the March 4, 1977 issue: "Executives in the convenience store business do a lot of driving, particularly if they have field responsibilities and are required to visit stores and branch offices. One way of diminishing the ever-present hazard of the speeding ticket in this day of a 55-mile-per-hour limit is by using a radar detector. These devices, which became widely available last year, cost from $80 to $150 and bleep or flash a light in your car to warn that police radar is operating in the vicinity. Warning: Police in some states confiscate such detectors."

(**RThought**: Another trade publication dedicated to raising the ethical standards in their industry!)

Then in the same edition, Harry Traugott, in his column "publisher's viewpoint," berates Congress for not having an energy policy. To quote him, "Have they (Congress) put more efforts on behalf of the tax payer to help him maintain his health and his job by examining our needs for fuel? Hell no. Nothing has been done! A real sad state of affairs." I would hate to tell Harry that a major step taken to conserve fuel (as well as to save lives) was the 55-mile-per-hour speed limit which he apparently urges his readers to violate.

Traugott closes by saying "MORE ORIGINAL THINKING IS NEEDED ... by our scientists through grants from our government so that our dependence on foreign suppliers can be eliminated and we can once again regain our dignity as a world power." What we really need is more trade publication editors who understand the importance of the 55 mph speed limit as an energy conservation program.

IS YOUR MENU HONEST?

Better check. In California, a restaurant chain paid $6,500 in civil fines and legal costs because their menu said blueberry cream cheese pie when the cream cheese was a nondairy imitation, the butter was margarine, and the maple syrup was pancake syrup. Their decaffeinated coffee was not Sanka, their pure orange juice was a blend, and their white tuna was light tuna.

RThought: Better check on your chicken salad–many articles indicate that much of this is turkey salad. And are your steaks reconstituted?

SHORT SHORTS

It may just be "the" catalog you can't wait for. Quelle, the largest mail order house in Europe, is making a big dent in the U.S. market. And they offer their customers a real deal–if you mail $3.00 to their U.S. office the catalog will be sent airmail from Europe!

Retailers on the Board of Common Cause? Presently there is Stanley Marcus. He may be joined by Leo C. Levin, once Executive Vice President of Franklin Simon. In more recent years Levin has been a speaker for Common Cause, active in SCORE, the American Arbitration Association and the Center for the Study of Democratic Action. His platform: "Common Cause has fired my belief it will some day return our government to the people and make it function as planned by our founders. This can only be done if an informed public participates."

In most of the U.S. the floating of the Mexican peso was just a news item, but along the border it was a catastrophe. Aaronson Bros. Stores, headquartered in El Paso, said "This action resulted in an immediate devaluation of approximately 40% in the peso's former value in relation to the U.S. Dollar. Since many of the Company's customers are Mexican Nationals and pay for their purchases in Mexican pesos the devaluation had a depressing effect on sales and earnings . . ." Aaronson's sales dropped 40% in September after showing increases in July and August.

WORDS THE INDIANS MANAGED BY

More than 100 years after we stole all the land of the Indians we are just beginning to understand the appreciation the Indians had for their environment. RT is grateful to Budd Gore for including the following story in his "Pure Gore" (Number 70, November 15, 1976).

> "In a 19th Century Treaty Council, a chief of the Blackfeet Indians wrote this: 'Our land is more valuable than your money. It will last forever. It will not even perish by the flames of fire. As long as the sun shines and the waters flow, this land will be here to give life to man and animals. We cannot sell this land. It was put here for us by the Great Spirit and we cannot sell it because it does not belong to us. You can count your money and burn it within the nod of a buffalo's head, but only the Great Spirit can count the grains of sand and the blades of grass of these plains. As a present to you, we will give you anything we have that you can take with you; but the land, never.' Which explains a choice characteristic of the early American Indian: His lovely lack of greed."

LOOK WHO FOUND ME!

Study the lists of names below and see if you can figure out the common tie:

List No. 1

Artisan Galleries
Bruce Bolind
Wallace Brown
Harriet Carter
Casual Living
Clymers of Bucks County
Collage
Joan Cook
Country Store
Decor Galore
Walter Drake
Down's
The Ferry House
Figi's Gifts
Foster House
Gallery of Amsterdam
Greenland Studios
Hammacher Schlemmer
Hanover House
Helen Gallagher
Holiday Gifts
House of Minnel
Miles Kimball
Mother's General Store
New Hampton General Store
Postamatic Company
Rombin's Nest Farm
Sleepy Hollow Gifts
Spencer Gifts
Stratford House
Suburbia
Sunset House
Taylor Gifts
United States Purchasing Exchange
Vermont Village Shops
Lillian Vernon
Windfall
Writewell Co.

List No. 2

Adirondack Store
Brentano's
Mark Cross
Alfred Dunhill of London
Greyhound Gift House
Halls Plaza
Hoffritz
Horchow
Kaleidescope
La Boutica
The Little Gallery
Montage Limited Edition
The Paragon
Plummer-McCutcheon
Shopping International
Stern's
TWA Flight Shop
Vroom Galleries
Adam York's Unique Products

List No. 3

Ambassador
Johnny Appleseed
Avon, Inc.
Brooks Bros.
Jean Grayson's Brownstone Studio
Cable Car Clothier's
Deerskin Trading Post
Deluxe Saddlery
FBS
Geno's
Carroll Reed
The Talbots
The Tog Shop

List No. 4

Colonial Garden Kitchens
Country Cousins
Fun 'N Feather Farm
Harry and David
House of Almonds
Pepperidge Farms
Pfaelzer Brothers
Sunnyland Farms
Swiss Colony
Wisconsin Cheese Makers

List No. 5

Creative Village
Herrschners
Ladies Home Journal Stitchery & Crafts
The Sewing Corner
The Stitchery
Lee Wards
World of Stitch'n Knit

List No. 6

L. L. Bean
Berman Buckskin Co.
Casco Trading Post
Lawson Hill
Orvis
Shepler's
Sportpages
Norm Thompson

List No. 7

Alsto Company
Ferndale Gardens
Jackson and Perkins
Lakeland Nurseries
Stark Bros. Nursery
Sundials & More

Perhaps you guessed it—these are all mail order catalog firms and they found me, mainly just before Christmas. These lists total 100, compared to 59 when I last reported in November 1973 RT.

The firms in each list can be categorized as follows:
No. 1 – Gadgets
No. 2 – Books, art items and better gifts
No. 3 – Apparel
No. 4 – Food
No. 5 – Sewing
No. 6 – Outdoor garments and equipment
No. 7 – Plant and garden

In addition to the 100 above, there were 16 specialized catalogs:
Abbey Press – religious items
Brookstone – hard to find tools
Childcraft – toys
Chris Craft – boat gadgets and apparel
Constantine's Crafts – wood craft and tools
Current, Inc. – printed products
Exclusive Cutlery – cutlery
Exclusive Mart – individual items on reply card
The Game Room – games
Monogram Shop – monogramed apparel
Original Christmas Store – ornaments
Printery House – religious items
Publishers Central Bureau – books and records
Radio Shack – electronics and HiFi
Road & Track – car realted items
Yield House – furniture

Virtually every one of the firms (except for the food and nursery firms) accept Master Charge and BankAmericard, normally listed in that sequence (that must indicate something about the relative strength of the cards). 58 also honored American Express (a major increase from the last study), 20 honored Diner's Club but only 7 honored Carte Blanche. Only 12 had their own account.

There were a few odd arrangements. One firm offered only American Express, and 1 offered only Master Charge. One honored only American Express and Carte Blanche while one honored American Express, Diner's Club and Master Charge—but not BankAmericard.

In many cases they had minimum amounts they would honor on a credit card (this was often tied in with telephone orders, either customer-pay or 800-In-WATS lines) with most being $10, a few at $12 and $15, and one at $20.

The proportion pushing telephone ordering has increased greatly. 31 firms offered 800–In-WATS service from any place in the 48 contiguous states. 27 had telephone service with the customer paying for the call. One said to call collect and one would accept COD orders over the phone.

A growing number are using games and contests to stimulate response, offering total prize money of from $15,000 to $100,000.

A growing number offer bank references and cite trade associations with the New England Mail Order Association leading the list (even named by firms in Florida). Other organizations listed were the Direct Mail Marketing Association, Parcel Post Association and several local Better Business Bureaus and Chambers of Commerce.

A goodly number (12) operate multiple stores.

RThought: There is little I can do other than repeat the observations made in November 1973–except to point out that in 1973 I received catalogs from 59 different businesses and in 1976 I received them from 116 businesses. And, in 1976, I didn't count department stores, specialty stores, Sears, Wards and Spiegel plus a number of business-oriented catalogs:

> **"RThought: There is no way you can send someone out to check the mumber of catalogs that are coming into my house–and you are even less likely to know what orders I place. The package, in more and more cases, sneaks up to my house in your brown United Parcel Service truck.**
>
> **"For many small items, I can see the item much more clearly in its own picture on a page with 8 to 12 other pictures than I can see it against a jumble of other merchandise that I am passing at a slow walk.**
>
> **"And if I have a question about the merchandise, I can usually get more information from the paragraph with the picture than I can from the run-of-the-mill salesclerk. And it takes me less time to fill-in and mail my order than it does, in some of your stores, to get my purchase recorded.**
>
> **"Not all of your competition is the shopping centers or the catalog/showrooms. Some of it is right in my mail box–more than 59 of them this Christmas. And I never had to use my car."**

RThought: Maxwell Sroge (303 East Ohio St., Chicago, ILL 60611), a specialist in and consultant on direct-to-user marketing, estimated the following volume was done by mail-order firms of the types indicated (this excludes insurance, magazine subscriptions and photofinishing, the 1st, 3rd and 4th largest categories). However, the fields below are the ones that impact store retailing most directly:

Type of mail order house	1975	1974	% Change
	(Sales in Millions of Dollars)		
Books	$779	$600	+30%
Crafts	220	190	+16
Electronic goods	109	115	- 5
Food	110	100	+10
Health Foods	83	75	+10
Garden & Nursery	110	50	+120
Home Furnishings & Accessories	381	350	+ 9
Ready to Wear	457	425	+ 8
Sporting Equipment	113	95	+19
Records and Tapes	330	300	+10
TOTAL	$2,692	$2,300	+17%

SHORT SHORTS – Continued

The problem of presenting business. The December 1976 issue of DUN'S REVIEW had an editorial by Walter E. Hoadley, EVP, Bank of America, headed "The Government-Business Breach" in which he pleaded for closer relations, better dialogue and more exchange of people. He argued "What are the answers? First, the public, as well as government and business, must recognize that we are traveling the same road for a better nation and we'll not get very far breaking ranks and setting up roadblocks at every turn. Second, Congress and the White House must face the issue of the public-private sector contacts positively."

But the same issue had an article about The Business Council which DUN'S called "Business' Most Powerful Club." As DUN'S reports the power of this organization consisting of just a handful of corporate CEOs (albeit representing the largest corporations–including virtually all the companies that are accused of operating monopolies), one might soon expect to see letterheads reading:

INTERNAL REVENUE SERVICE
A Wholly Owned Subsidiary
of
The Business Council

How to generate credit account turndowns: a major retailer in a major shopping center offered a bottle of Pepsi-Cola to anyone who would fill out a credit application. Four college students, looking for supplies for a party happened to pass by, accepted the offer, collected their bottles of Pepsi–and generated 4 credit applications, 4 processing costs, 4 credit reports, 4 turndown letters and 4 laughing students.

"Men Can Take It," a book about foolish men's styles, years ago pointed out the silliness of a man surrounding his neck on hot days with 4 layers of shirt collar and 4 or more layers of necktie fabric. With mostly men involved in the Federal Trade Commission it is only natural that they should require placement of fabric care labels under the collar where they itch and irritate the skin and therefore are often removed! And the FTC requires that instructions only be in English, thus precluding the symbols used in the European Common Market where more than 200 million people using a dozen languages quickly understand the instructions conveyed through symbols.

American Express cares! The December 1976 RT had an item headed "The Test of Credit Cards" which included a report that Avis had raised a signed ticket from $113.08 to $170.80 and this was honored by Amex. Someone of you out there reproduced the item (without permission Tsk! Tsk!) and it worked its way to Amex. RT received a call from the Amex VP for Consumer Affairs, Jane Butel, wanting to reach their customer and correct the situation. RT, following the standard practice of protecting sources, contacted the person reporting the incident–who then called Ms. Butel.

Georgia State University

university plaza
atlanta, georgia 30303
college of business administration
department of marketing

June 24, 1981

Permissions Editor
Retailing Today
Robert Kahn and Associates
P.O. Box 249
Lafayette, California 94549

Gentlemen:

We would like to request your permission to use the following in Essentials of Retailing by Danny N. Bellenger and Jac L. Goldstucker to be published by Richard D. Irwin, Inc. in 1982 as a college text. If this is acceptable please sign below and return to us at the address indicated. Full credit will, of course, be given for the material:

Permission

to adapt "Making Mountains of Money, Merchandising to Markets That Mass Merchandisers Miss", Retailing Today (April 1977), p. 3.

Sincerely,

Jac L. Goldstucker

Jac L. Goldstucker
Professor of Marketing

JLG:1p

Permission granted: ______________________________

Return to: Jac L. Goldstucker
Department of Marketing
Georgia State University
University Plaza
Atlanta, Georgia 30303

OP management newsletter

For Dealers & Dealer Management By The Editors of OFFICE PRODUCTS Magazine

UNIONS, UNIONS GO AWAY LET ME LIVE ANOTHER DAY

Most dealers will awaken one morning to find a union flyer on their desks or an authorization signed by employees claiming they want a union. Many we talk with practice the best defense against union takeovers of their plants--granting employees all the benefits of a union before any union innuendos begin. But even the best benefit program won't keep unions from raining down like unwanted storms.

One dealer we know gets union financial statements and other records, which are public, from the U.S. Department of Labor. Then he has a labor lawyer analyze those records to determine what should be disseminated to employees and how to word any missives to avoid legal, government and employee hassles. But he adds a warning. Unions also pick up information from documents printed by/for a dealer--like Christmas employee mailing lists with home addresses and telephone numbers--to use when organizing from outside the company.

PLANT A FEW TREES TO REAP A PUBLICITY CROP

Large amounts of publicity cost large amounts of money. That's an axiom, but it's not necessarily valid. To find out how invalid, try planting a few trees. The idea paid off for John Huguley, Charleston, S.C. His city, like many, is in the midst of a revitalization and beautification program; so, when he remodeled a store, he "beautified" the sidewalk by "planting" four trees, purchased from a local nursery. Huguley bought four fiberglass-lined, wooden planter boxes and bolted them to the sidewalk just off the curb. The cost was about $40 each for the boxes and $60 each for the trees. For about $400 the dealer beautified his street, and since he was the first in his part of town the idea provoked community goodwill and thank-yous from the local chamber of commerce, civic leaders, customers, etc. and large doses of publicity from newspapers and radio and television shows. That's coverage you can't buy for $400.

Then vandals helped him get more coverage. One night, about three months after the trees were planted, vandals chopped the trees down. That brought out the

Office Products is published monthly. Printed in U.S.A. Controlled circulation postage paid at Waseca, Minnesota.

newspapers and radio and television stations again. More publicity. Huguley planted new trees--smaller to discourage axe-wielding despoilers of beauty--for an additional investment of $120. More publicity.

HOW MUCH DOES HELLO COST? IT CAN PAY A SALARY PLUS PROFITS

This is a story on how to make money in spite of not having the wherewithal to do it. It was related in a recent issue of Retailing Today, a publication we've often touted in these pages. RT's editor, Robert Kahn, who is also a management consultant, took a client to see a women's and children's clothing store that was bringing the husband and wife owners a 45 percent return on net worth and was for sale. The store had everything going against it. It was close to a big center with four major department stores and the clientele was changing, on many days mainly black and Chicano.

The politician's daughter

The store was gaining sales faster than inflation because the owner had a policy of greeting everyone, many by name. The daughter of a local politician, hired as a clerk, once failed to greet a couple. The owner asked if she didn't like them and if she did, why didn't she say, "hello"? He went on to tell her they wanted to buy something so the store could pay her salary. If a friend came to her father's house, the father might spend $5 or $6 in refreshments to make them feel at home. In the store, all she had to do was say, "hello."

Tender loving care

Kahn advised his client not to buy the store. As he puts it, "There was no way his organization could have provided the 'tender loving care'...(and with the store averaging sales of $100 per square foot) was more likely to move it to $50 than $150 with his electronic POS/EDP merchandising system and the buyers sitting 100 miles away. The owners laugh all the way to the bank (where cash at year end was more than three times liabilities)."

A SHORT PREVIEW

Early last month OP's editorial staff finalized the editorial schedule for the coming year. We thought you, our readers, might like a peek at what's coming. Month by month, very briefly, here're some of the highlights. January: meet Dave Matthews, NOPA's new president, and take a glance at the computer wasteland.

MACKS STORES, INC.
P. O. BOX 2010
SANFORD, NORTH CAROLINA 27330
776-7611

May 4, 1977

F/O wid April RT

Robert Kahn and Associates, Business Counselors
P.O. Box 343
Lafayette, California 94549

Gentlemen:

We would like permission to reproduce a part of an article in RETAILING TODAY-April 1977 issue. The title of article is "MAKING MOUNTAINS OF MONEY MERCHANDISING TO MARKETS THAT MASS MERCHANDISERS MISS"

Thank you for your prompt reply.

Yours truly,

Samuel J. Wornom

Samuel J. Wornom
President

SJW/gs

P.S. This would be used in a Newsletter published by Macks to our stores only.

May 7, 1977

Dear Mr. Wornom--

I am complimented by your request and permission is granted to reproduce the article with credit to RETAILING TODAY.

Sincerely

Robert Kahn

Robert Kahn

Photocopy retained

ATHERTON INDUSTRIES, INC.
260 CONSTITUTION DR., MENLO PARK, CALIFORNIA 94025
PHONE: (415) 328-5900 NEW YORK (212) 564-5853

May 10, 1977

Mr. Robert Kahn
P. O. Box 343
Lafayette, CA 94549

Dear Bob:

I was extremely impressed with your article "Making Mountains of Money ..." in your April newsletter. I would very much like to use a portion of that story for a memo to all of our store personnel relative to customer service. Your permission would be appreciated and I would be glad to send you a copy of our "All Store Memo".

As always one cannot conclude a letter to you without stating how much they enjoy reading your monthly newsletter.

Kindest personal regards,

ATHERTON INDUSTRIES, INC.

Jack Brandon

Jack Brandon
Senior Vice President

JB:sb

called 5-16-77 "OK"

ATHERTON INDUSTRIES, INC.
260 CONSTITUTION DR., MENLO PARK, CALIFORNIA 94025
PHONE: (415) 328-5900 NEW YORK (212) 564-5853

May 18, 1977

Mr. Robert Kahn
P. O. Box 343
Lafayette, CA 94549

Dear Bob:

Thank you for giving me permission to reproduce a portion of your article, "Making Mountains of Money ..." from your April newsletter. I am enclosing a copy of our "All Store Memo" which was sent to all stores.

Thank you again.

Kindest personal regards,

ATHERTON INDUSTRIES, INC.

Jack Brandon

Jack Brandon
Senior Vice President

sb

Enclosure

LOG NUMBER 77-167

TO ALL STORES

FROM JACK BRANDON

DATE MAY 16, 1977

DISTRIBUTION SGM RSR JB GIL JER EMR CCG JAK LL EEH EMS REG DJH BLM SJJ ENH RS MDM DAC JDT PAW DDC DLM ALM DSM's

SUBJECT ATTACHED "CUSTOMER VALUE" ARTICLE

Mr. Robert Kahn, the publisher of a monthly retailing newsletter called Retailing Today, has been kind enough to grant us permission to reproduce a portion of one of his articles from a recent issue.

Mr. Kahn is a widely-read, extremely respected writer and consultant in the retail field. The enclosed article seems to so well state the emphasis we have tried to place on the value of our customers. I hope this article is of value to you and would appreciate your discussing it with your crew and posting it on your bulletin board.

THE CONTINUED GROWTH OF OUR BUSINESS INCREASINGLY DEPENDS UPON REPEAT BUSINESS. THIS CAN ONLY BE ACHIEVED BY SATISFYING ALL CUSTOMERS AND TREATING EVERYONE WHO ENTERS OUR STORE CORDIALLY WHETHER OR NOT THEY MAKE A PURCHASE AT THAT TIME.

RETAILING TODAY

Editor: Robert Kahn CMC (Certified Management Consultant)
Published by Robert Kahn and Associates, Business Counselors.
P.O. Box 343, Lafayette, California 94549 (415) 254-4434

Published Monthly. $19 per year.

ROUTE TO

APRIL 1977

VOL. 12, NO. 4

MAKING MOUNTAINS OF MONEY MERCHANDISING TO MARKETS THAT MASS MERCHANDISERS MISS

The theme of this story is "Money"—the Big "M"—and how it is made in the shadow of the great merchant organizations.

I recently visited a women's and children's clothing store with a client who had been told that this was a good profitable store—for sale—and that my client might be interested.

Let me give you a few facts. The store was in a secondary (and old) strip shopping center within 2 miles of a modern center that now has 4 department stores—Sears, Wards, Penneys and one of the Carter-Hawley-Hale stores—plus all the national chains. The store is doing about $100/square foot of total space and bringing down 16% on sales and 45% on net worth before owners salary (husband, wife and daughter). Sales are increasing faster than inflation—despite being in a mature residential area.

The clientele (which differs somewhat from that of the shopping center) is a changing one—on many days a majority are black and Chicano. The store merchandises to that clientele. The husband-manager says his wife is the greatest buyer in the world. But he is on the floor most of the day, greeting the customers. And that means almost every customer. As we talked to him he would say a few words—often calling them by name—to almost every person who passed us.

He told us a story of the time he hired a major politician's daughter. He explained that the store policy was to greet everyone. The first day he saw two customers walk past the new employee and the new employee didn't speak to them. A few minutes later he asked her "Don't you like the man and woman over there" and she said "I do. Why?" He then asked "Why didn't you say 'hello'?"

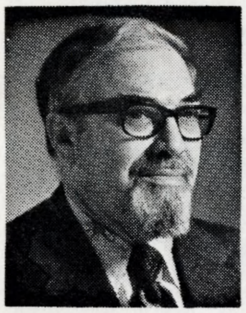
To illustrate his point he said that these people had come into the store wanting to buy something so that the store could pay her salary. Now if a friend came to her house, her father would probably buy some beer and soda water and some salami and crackers—in fact, he might even spend $5 or $6 to make them feel at home. But here in the store all she had to do is be friendly and say "Hello."

The store didn't look like much—in fact, it was last painted 8 years ago when a national junior department store chain moved out because it could not make money (it never got sales over $40 a square foot). It had to be classed as poorly maintained. The fixtures were a mongrel lot with the oldest probably well past voting age.

Everything was wrong—except! Except for the friendliness and concern for the customer. This is something many store executives, comfortable in their paneled offices far from the front door, have failed to provide. I don't think the customers thought the store was decrepit—they just couldn't see the forest because of the friendship.

RThought: I urged my client not to buy it. There was no way his organization could have provided the "tender loving care" that the owner was now providing—

us,
should
consider this
word to mean
"Store Personnel"



RETAILING TODAY

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ROUTE TO

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THE EDITOR SPEAKS

I had the opportunity to address the National Association of College Stores at their 54th Annual Meeting. The theme of the meeting was "Professionalism in the Marketplace" and it was appropriate that the Inaugural General Session had the title of "The Ethics of Buying". I exercised the privilege of a speaker by discussing ethics on a much broader scope.

I was introduced by Joseph T. Keenan who manages the DePaul University Bookstore in Chicago. His remarks properly set the stage when he said "A number of people have suggested this session on buying, some directly, but most of them indirectly. John Dean. Elizabeth Ray. Wayne Hays. Bob Haldemann. John Ehrlichman. Just the other day, Yitzak Rabin. Spiro Agnew. Richard Nixon."

It speaks well for a trade association that it will address the question of ethics. Most don't. Most never have. I have had the opportunity to address a number: The National Mass Retailing Institute; the International Consumer Credit Association; the Credit Management Division of the National Retail Merchants Association; plus a number of smaller groups.

If you would like to hear the speech—via a cassette—your training department may find it useful—send $8 to ETHICS, c/o RETAILING TODAY, P. O. Box 343, Lafayette, CA 94549.

NOW THAT BANK CARDS ARE A MONOPOLY, THE MERCHANT WILL BE ABUSED

RT has been talking to little merchants—customers of BankAmericard in California—who are finding out just what happens when the banks can handle both BankAmericard and Master Charge. Remember when there was competition? Ken Larkin of the Bank of America was one of the opponents to dual franchising—but BankAmericard is certainly taking advantage of the elimination of competition. Their new schedule (RT is certain that they can produce figures that will justify their charge) materially boosts the cost to smaller merchants. It will be 5% for many of them.

We overheard a conversation in a small store (under $150,000 a year) just the other day. The customer wanted to make a charge of about $8—and was told that the store had to put in a minimum on BankAmericard of $20 (trying to get into a higher classification) because the new higher charge of 5% on $8 transactions ate up all the profit they had in the merchandise! The customer's reaction was as unfavorable of the clerk's.

RThought: The store is probably wrong—although the thinking is typical. But BankAmericard is probably much more in error. Bank credit cards assisted small merchants to compete with major stores. The majors were the ones that resisted bank cards. Now that many of the major stores (except for strong opponents such as Sears, Wards, Penneys, Federated) are honoring bank cards—a practice that RT has long urged—the bank cards are abusing their small customers. BankAmericard reports that they are profitable in California—why they should abuse the small merchants in the manner they are doing is hard to understand. One word that does explain it is greed—which in the private enterprise system is synonymous with "charge what the traffic can bear". The little guy has no place else to go—that identifies the place to raise charges. Economics has always taught that when demand is truly inelastic, price can be increased to infinity without reducing the volume of transactions.

COMMERCIAL BRIBERY, SMALL POTATOES

Chromatic Corporation (ball point pens) proved that some people think they can bribe College Book Store managers for just $5 (The National Association of College Stores should have been insulted). They distributed an advertising piece where the entire front cover says "TAKE $5." Nothing subtle. Inside it says "Order any one of our promotions at the College Book Store Show. And we'll give you $5 CASH . . .ON THE SPOT." The deals will cost the employer of the recipient about $42. But they enlarge on their bribing by saying "Even if you can't make it to the show, you can still get your $5 on any deal. Just be sure your order is received before April 30, 1977 . . . and we'll send you a check." But no check is offered the Company.

RThought: We wish we could say that none of the hundreds of people who attended the NACS Show accepted the bribe—but we don't know. We do know that an ethically oriented management at Chromatic would not make such an offer **to the employees of their customers.** Read about J. M. Fields later in this report and learn what one company did when vendors paid bribes to one of their buyers.

DOUBLE CHECK ON CAR RENTAL RATES

Hertz is owned by RCA, Avis was part of ITT, and Budget is owned by Transamerica. RCA—ITT—Transamerica—the upper crust of American industry and the free enterprise system.

But how do they operate?

A business associate recently had an experience with Budget in Toronto. His advance reservation was at $24, but when he waited at the counter he heard discussions of special rates.

When he asked about the $18 rate shown on the bulletin board he was told he was not eligible because he did not have a Budget credit card. When he asked if there were any other special rates he was then told that there was a $12.95 rate for the very same car he had reserved at $24!

When I brought this matter to the attention of the Chairman of Transamerica, his assistant replied indicating that when the reservation center is called they first offer the "standard car" **If you ask long enough–(you are supposed to be told immediately) "do you have any special rates", the operator will tell you of lower rates available!** However, "special rates" cannot be reserved or confirmed in advance–vehicles are on an "as available" basis (have you ever seen a car marked "special rate" only?)

RThought: Our largest corporations have destroyed the confidence that people once had in the names that they knew–perhaps to prove that saying "familiarity breeds contempt". RT's advice is simple. When you make a car reservation ask the operator to tell you about all the special rates. If they say there are none–ask for the name of the person giving this information. When you arrive at your destination again ask the clerk for all special rates. If you find that special rates are available, consider what you wish to do. Your options include writing to the chairman of the car rental company, complaining to the attorney general in one of several states (headquarters of car rental, your state, location of leasing station), file a complaint with the Federal Communications Commission asking if such use of interstate telephone service for deceptive purposes is permitted under FCC regulations, write to the FTC or even address your local consumer organization or Better Business Bureau.

A FEW MORE YEARS AND SEARS MAY MASTER MAIL ORDER SELLING OF GOOSE NECK ELBOWS

I have long been a mail-order customer of Sears. Recently, to try to beat the drought in our area, I ordered 4 Craftsman Water Meters–devices to be put between the faucet and the hose that permits you to pre-set the meter and dispense any amount of water from 10 to 1600 gallons. The operating instructions say "To make your meter operate more efficiently, and to keep bends out of hose, we suggest a goose neck elbow No. 6984".

I tried. Honest I did. I called the telephone order desk and told them I wanted the part. They told me it wasn't in the catalog. I told them that I knew that–because I looked–but that their instructions said I should get it. They said to call the service center which would be open at 8 a.m. the next morning. I called at 8:30 and was told that only the appliance service opened at 8 a.m. The parts department didn't open until 9 a.m.

I called after 9 a.m. and was told that they didn't carry parts for items under $10. I explained that I didn't want a part **for** the water meter, but a part to **use with** the water meter. They checked and said they had no such item listed–and that the catalog number didn't do any good. They suggested I call customer service back at the main store. I did–and was told that there was no way they could help me.

I called the store and asked the plumbing department if they had a goose neck elbow No. 6984 and they said "no".

RThought: If the January 1978 annual report for Sears says they had to take excessive markdowns to clear their inventory, you might bet that a large amount was related to writing off Goose Neck Elbows No. 6984 that clerks couldn't find when customers wanted them.

RT-FOLLOW UP: I wrote the Chairman of Sears and included the information card that came with the water meters. I asked him to call his closest Sears mail order desk and try to get one. I didn't hear from him, but I did get a goose neck elbow No. 6984 by airmail from the manufacturer in Ohio–and a letter from a subordinate at Sears. To my surprise the part number was cast in the side of the goose neck elbow. I just couldn't believe that this was the only one made so I made a special trip to the local Sears store (10 miles each way) and found a bin full of goose neck elbows–perhaps 20 or 30. I bought 3 more. I didn't have the heart to tell the salesman that he had a gold mine–if he would just tell people that he had goose neck elbows in stock.

It certainly is the hard way to do business.

THE HAZARD INDEX

The Consumer Product Safety Commission has come out with a new Consumer Product Hazard Index–actually called the AFSI or Age-adjusted Frequency-Severity Index, which attempts to combine both frequency and severity into one number.

The table below shows the 10 most dangerous "products" (some should be classified as activities) together with their Index, as well as other items that are normally sold through retail stores:

Rank	Product Description	AFSI
1	Bicycle & bicycle equipment	30.584
2	Stairs, steps, ramps, landings	21.023
3	Power lawnmowers and other lawnmowers	11.977
4	Football: activity, related equipment and apparel	11.719
5	Baseball: activity, related equipment and apparel	11.052
6	Swings, slides, seesaws and playground equipment	10.463
7	Non-glass tables	9.462
8	Beds, incl. springs, frames, bunk beds, etc.	7.206
9	Nails, carpet tacks and screws	7.147
10	Chairs, sofas and sofa beds	6.827
20	Household chemical products other than bleaches and dyes	3.548
21	Cooking ranges, and ovens	3.385
24	Home workshop power saws	2.872
25	Skateboards, skates and scooters	2.806
30	Fishing equipment	2.471
35	Gas, air and spring operated guns	2.077
36	Paints, solvents and lubricants	2.007
37	Unpower cutlery and knives	1.990
38	Pens, pencils and other desk supplies	1.985
42	Sun lamps and heat lamps	1.870
44	Matches	1.722
49	Pins and needles	1.494
50	Motorscooters, minibikes, other 2 or 3 wheel	1.494
58	Refrigerators and freezers	1.256
66	Golf equipment incl. golf carts	1.100
77	Hammers	0.835
78	Razors and shavers and blades	0.822
83	TV sets	0.790
88	Grocery carts and luggage carriers	0.713

CATERING TO APARTMENT DWELLERS

Apartment Life continues to improve their magazine ($4.97/yr., 1716 Locust St., Des Moines, IA 50336). In a

THE COMPUTER OMBUDSMAN

Datamation (Dec 76) had an excellent article entitled "Humanizing Information Systems." One of the authors was Professor Theodor Sterling of Simon Fraser University in Burnaby, Canada—who is also the British Columbia Computer Ombudsman, an effort done cooperatively by the Canadian Information Processing Society (Vancouver), the Consumers' Association of Canada (B.C.) and Simon Fraser University.

Included in the article was an analysis of billing performance by department stores, oil companies and credit services (which includes bank credit cards).

	Department Stores	Oil Companies	Credit Services
Days between cycle closing and postmark:			
Average	7.12	3.65	5.40
Range	4-20	1-19	1.10
Days between postmark and delivery:			
Average	10.53	8.35	8.85
Range	6-24	4-20	3-13

My first comment is that one must feel very good about the delivery service of the U.S. Postal Service as compared with that in Canada. Our average time in transit is closer to 3 days, and it would be less if one eliminated Sundays from the average.

I have raised with Mr. Sterling the question of why postal delivery time is 2 days longer for department stores than oil companies and banks—perhaps a subtle form of discrimination.

The most important item in the article, which Professor Sterling has given permission to reproduce, is this:

Criteria For Humanizing Management Information Systems

A. Procedures for dealing with users

1. The language of a system should be easy to understand.
2. Transactions with a system should be courteous.
3. A system should be quick to react.
4. A system should respond quickly to users (if it is unable to resolve its intended procedure).
5. A system should relieve the users of unnecessary chores.
6. A system should provide for human information interface.
7. A system should include provisions for corrections.
8. Management should be held responsible for mismanagement.

B. Procedures for dealing with exceptions

1. A system should recognize as much as possible that it deals with different classes of individuals.
2. A system should recognize that special conditions might occur that could require special actions by it.
3. A system must allow for alternatives in input and processing.
4. A system should give individuals choices on how to deal with it.
5. A procedure must exist to override the system.

C. Action of the system with respect to information

1. There should be provisions to permit individuals to inspect information about themselves.
2. There should be provisions to correct errors.
3. There should be provisions for evaluating information stored in the system.
4. There should be provisions for individuals to add information that they consider important.
5. It should be made known in general what information is stored in systems and what use will be made of that information.

D. The problem of privacy

1. In the design of a system, all procedures should be evaluated with respect to both privacy and humanization requirements.
2. The decision to merge information for different files and systems should never occur automatically. Whenever information from one file is made available to another file, it should be examined first for its implications for privacy and humanization.

E. Guidelines for system design having a bearing on ethics

1. A system should not trick or deceive.
2. A system should assist participants and users and not manipulate them.
3. A system should not eliminate opportunities for employment without a careful examination of consequences to other available jobs.
4. System designers should not participate in the creation or maintenance of secret data banks.
5. A system should treat with consideration all individuals who come in contact with it.

SHORT SHORTS

Integrity of "check-OK" systems? Proponents of Electronic Funds Transfer and the miracles of computerized data bases claim that confidentiality of records is not compromised because inquiry about specific checks is answered only "yes" or "no". One such service offers check OK for 5¢ an inquiry (the charge is 3% to 5% of the value of the check if the user wants a guarantee). If a person wants to determine how large a check can clear an individual's account (for purposes of forgery or raising a check) about 35¢ worth of inquiry will establish any authorized limit between zero and $24,000 within $365! Once that has been determined on one terminal an individual could go to another terminal knowing that the check will be guaranteed.

Half as good an idea? Unity Buying Service Co. burst on the scene a number of years ago with a mail-order catalog operation based on selling to members at "5% plus transportation" over factory cost. But that later went to 6% and then 7%. Present plans are to increase that to "a charge of 8% to 10% over factory cost," according to Albert Friedman, President.

What brings Safeway together with the Salvation Army and the Black Panthers? That would be the sit-in in the San Francisco Regional Office of the Department of Health, Education and Welfare by handicapped people seeking to get Secretary Joseph Califano to sign regulations enforcing a 1973 law banning discrimination against people who are handicapped. The three organizations, together with 17 others, have contributed food and bedding for the demonstrators.

(Special Report—they won! 100 started and 60 were left 25 days later when Secretary Califano signed the regulations).

CREDIT OFFICE RATING

Special comment should be made about one of the firms on the Honor Roll——Roos/Atkins. When this subsidiary of Genesco sold their receivables to Citicorp and transferred the records to the New York area, RT was extremely critical of the time delays in transcontinental mail and the impact on finance charges to R/A customers, almost 100% of whom are on the West Coast. Getting statements out within 4 days following the cycle closing is a very positive step towards eliminating that problem

HONOR ROLL

Hastings	3.0	I. Magnin (SF)	3.7
Oshman's	3.0	Levy Bros.	3.8
Levee's	3.2	Macy's (NYC)	4.0
Hess'	3.3	Roos/Atkins	4.0
Maison Mendessolle	3.5	Iver's	4.0

CREDIT OFFICE RATING

Information From Reporters	FEB-MARCH 1977 No. of Reports	FEB-MARCH 1977 Days to Bill Average	FEB-MARCH 1977 Range	DEC-JAN 1977 No. of Reports	DEC-JAN 1977 Days to Bill Average	DEC-JAN 1977 Range
Bloomingdale's (NY)	1	5.0	5	--	--	--
Bullock's (LA)	2	7.0	6-8	--	--	--
Bullock's (N. Cal.)	8	5.5	3-7	11	9.1	8-11
Capwell's (Oak.)	8	6.1	5-7	13	7.8	6-10
Emporium (SF)	3	5.7	5-6	3	7.0	5-10
Grodins (N. Cal.)	3	6.7	5-9	2	7.0	4-10
Hastings (N. Cal.)	2	3.0	3	2	5.0	4-6
Hudson's (Detroit)	3	10.3	9-12	2	10.5	10-11
Joske's (Houston)	1	4.0	4	--	--	--
Liberty House (N. Cal.)	1	6.0	6	2	5.0	4-6
Livingston Bros. (SF)	3	6.0	5-7	3	8.3	7-10
Macy's (NY)	1	4.0	4	--	--	--
Macy's (N. Cal.)	10	6.8	6-8	6	7.8	6-9
I. Magnin (SF)	7	3.7	3-4	6	3.7	3-4
May Co. (LA)	2	5.5	4-7	--	--	--
Montg. Ward (Chicago)	1	4.0	4	--	--	--
Penney's (Chicago)	1	6.0	6	1	7.0	7
Robinson's (LA)	1	5.0	5	1	5.0	5
Roos/Atkins (NY)	3	4.0	3-5	2	7.0	4-7
Saks (NY)	1	8.0	8	--	--	--
Saks (SF)	1	12.0	12	--	--	--
Sears (Alhambra)	1	8.0	8	3	6.3	4-8
Sears (Detriot)	2	5.0	5	--	--	--
Shreve (SF)	2	8.0	7-9	1	11.0	11
A. Sulka (NY)	1	9.0	9	1	8.0	8
TOTAL	69	6.0	3-12	59	7.4	3-11

Information From Stores	FEB-MARCH 1977 No. of Reports	FEB-MARCH 1977 Days to Bill Average	FEB-MARCH 1977 Range	DEC-JAN 1977 No. of Reports	DEC-JAN 1977 Days to Bill Average	DEC-JAN 1977 Range
Brock's (Bakersfield)	18	7.4	5-10	18	9.2	6-12
Hess's (Allentown)	8	3.3	3-4	8	3.8	3-5
Holman's (Pacific Grove)	10	7.5	6-9	10	10.4	7-13
Iver's (Los Angeles)	10	4.0	4	10	4.3	4-5
Levee's (Vallejo)	20	3.2	2-5	13	5.8	4-10
Levy Bros. (San Mateo)	16	3.8	3-5	16	8.8	4-12
Maison Mendessolle (SF)	2	3.5	3-4	1	4.0	4
Mervyn's (N. Cal.)	20	4.2	4-5	20	5.0	4-6
Oshman's (Houston)	4	3.0	3	11	3.9	3-5
Penn Traffic (Johnstown)	10	4.7	3-6	10	5.5	5-7
Routzahn's (Maryland)	1	4.0	4	1	5.0	5
Wineman's (Htgtn Pk)	8	7.5	6-10	8	7.0	5-8
TOTAL	127	4.8	2-10	126	6.5	3-1[illegible]

WHY A CREDIT OFFICE RATING? The Unruh Act (in California) controlling revolving accounts went into effect about 1963 just as the Office of Consumer Counsel was created. Consumers were complaining that they received statements so late that they had an additional service charge before they could pay their bills. Consumer groups were proposing laws that would have been impossible to meet with equipment and procedures in major stores. The CREDIT OFFICE RATING was initiated to bring this problem to the attention of influential people within store management.

WHAT HAPPENED–THEN AND SINCE? Initially, I was criticized for publishing the data and especially for naming stores. Since then the reports have been accepted for their intended purpose and many stores have sought to attain the Honor Roll objective, established at the beginning at five working days between cycle closing and postmark date, and now reduced to four days because of the large number of stores that have attained five days. Many stores have reported pride–both to management and credit and data processing personnel–in being listed on the Honor Roll.

HOW IS TIME COMPUTED? We do NOT count the cycle closing date but do count the postmark date, and then deduct Sundays and those holidays observed by the preponderance of stores.

HOW ARE THE FIGURES COLLECTED? Volunteer reporters send in form postcards reporting their own bills showing store name, closing date and postmark date. On receipt of one report, another form is forwarded. YOU CAN VOLUNTEER TO SERVE AS A REPORTER.

START YOUR OWN REPORT. Every store should keep this data on every cycle and establish their own goals. Other geographic areas should start a similar report and I will be glad to assist any such group.

recent issue they had the following advertisers of merchandise that department and furniture stores might carry: (The number following the brand name indicates the number of full pages; C indicates Color and BW indicates Black and White)

Mattresses
Simmon Beautyrest (1C)
Serta (1C)
Sears Sears-O-Pedic Imperial (2C)

Furniture
Henredon (1C)
Pier 1 (2C)
Kroehler (1C)
Lane Love Chests (1C)
Drexel (1C)

Others
Book of the Month Club (1BW)
Literary Guild (2C)
Wilton Armatale (1C)
Amana Radarange (2/3C)
Rubbermaid (1C)
Chatham Blankets (2C)
Lenox (1C)
Whirlpool (1C)
McCall's Recipe Card Collection (1C)

The magazine has lots of "how-to-build-it" articles because so few firms build special items for apartment dwellers and fewer stores carry the items.

Times must be so good that general merchandise and furniture stores don't have to advertise items for apartment dwellers. But that may change with time. There are rumors that management would like to improve profits.

MAKING MONEY ON THE AVERAGE DAILY BALANCE

The banks, now that they are on daily finance charge computations, appear to be slower getting out their bank card statements. For example, Security Pacific National Bank put their March 31 statements into the mail with a postmark of April 7th–and probably hoped that they might not be delivered until Monday, April 11th. The next billing date was shortened two days to April 29th! I suppose someone in the banks is figuring out just how much money they can make by mailing statements late. Since a bank credit card cut-off only involves material in the billing center (they do not have to collect all the transactions that took place prior to the cycle closing date) they should have their statements in the mail in 2 or 3 days. Many Honor Roll stores consistently get their statements in the mail within 4 days after the cycle closing and include all transactions from any branch store prior to the cycle closing date!

WINNERS AND LOSERS THROUGH COMMERCIAL BRIBERY

The case of Melvin J. Goldstein, buyer for J. M. Fields, Inc., from January 1, 1968 to June 2, 1972, gives a clear picture of what bribery costs each party–and why.

Mr. Goldstein set-up M.B.G. Consultants, Inc., which received checks from firms with whom Mr. Goldstein did business. J. M. Fields has obtained from suppliers a substantial number of checks showing payments to M.B.G. Consultants, Inc.

A year or so ago, J. M. Fields won a case against one of the suppliers who bribed Mr. Goldstein. By "winning the case" I mean that they did not have to pay for any of the merchandise received as a result of the purchase order placed by the bribed employee.

Then the District Attorney of New York County brought a criminal action against Mr. Goldstein on 22 counts. Mr. Goldstein pleaded guilty to one of the counts. This came at the time when J. M. Fields had a case against Mr. Goldstein to recover from him all the money he received during the period of his employment–total salary of $78,045 plus $55,000 (known amount) or more in monies paid to M.B.G. Consultants, Inc., and for which Mr. Goldstein could not show specific services rendered outside of his employment by J. M. Fields.

The judge hearing the case considered the admission of guilt on 1 of the 22 charges as "an admission against interest" and proof of bribery in that case. The judge ruled that in light of the failure by Mr. Goldstein to explain why payments were made to his shell corporation that the presumption remained that the other payments were also bribes and thus recoverable by J. M. Fields.

Here are the results at this time:

1. J. M. Fields did not have to pay for merchandise purchased by their bribed buyer.
2. The buyer was charged with criminal conduct and has pleaded guilty to one charge.
3. The buyer has been found liable to J. M. Fields for all money paid to him as salary plus the total amount of the bribes that he received.

RThought: This should prove that crime–if detected and **prosecuted**–does not pay. J. M. Fields is to be complimented for aggressively pursuing this matter. RT hopes that they have set an example for other employers. When you find a buyer accepting a bribe, prosecute to the full extent of the law. Cooperate with the authorites on criminal charges. Make the vendor pay by defending against his claim for payment. Sue the employee to recover all that you paid him during the period he took the bribes plus the total amount of the bribes. Such action by a large number of retailers should cause vendors to think again about bribing your buyers–and buyers to think about seeking or accepting bribes.

Combine this with an announced policy of protecting the vendors who report a buyer to you who has his hand out as well as the buyers who report to you a vendor who is offering a bribe.

WILL YOU HAVE TO CHARGE A PREMIUM ON CREDIT SALES?

That, of course, is the possible outcome of a case before the Civil Aeronautics Board (CAB)–and which could have broad implications.

Consumers Union is asking the CAB to require that airlines make sure the cost of extending passenger credit is paid for by the credit customers only. If we assume that airlines accept a 2% or 2½% discount on fares when handled through a credit card, then the action requested is to add that amount to the credit transaction.

The CAB is asking for views of other parties and it particularly wants to find out how much credit card transactions cost as opposed to cash and check transactions. One could conceive of a ruling that would require airlines to add 3% if paid through a credit card and 1% if paid by check with nothing added for cash!

RThought: What is going to make interesting reading for the CAB (and Consumers Union) will be the many magnificent studies of department store credit made by the industry showing how much money they lose even when charging finance charges at annual percentage rates of 12% to 18%.

RTease: Perhaps the time will come when retail executives will have to pay extra for using credit cards on the airlines—and department stores will have to charge more for merchandise bought on store accounts now that they have proven that they abuse the cash customers by losing money on credit sales!

GOLDBLATT'S SHOWS HOW NOT TO ANSWER THE MEDIA

WMAQ-TV (Channel 5, Chicago) broke a story based on customer records of accounts at Goldblatt's showing that customers who had credit balances of from $72 to $400 were told, when they called, that their balance was zero. Goldblatt's response was that the credit balances related to time payment accounts that had been discontinued in 1973. Since then, Goldblatt's has been trying to find the customers—many of whom moved without leaving a forwarding address (do you leave a forwarding address on a zero-balance account?)

Just to help find these customers, employees at Goldblatt's are instructed not to reveal account balances over the phone in order to protect the privacy of customers!

RThought: it is hard to believe the latter procedure. Suppose the collection department calls a customer and asks to be called back. When the customer calls back and asks what her balance, is, Goldblatt's won't tell her? I doubt it.

RThought: there was a better answer—although it may not be true. Goldblatt's might have thanked WMAQ for helping them locate the missing customers and even given WMAQ a list of the missing customers. That assumes, of course, that Goldblatt's had tried and failed for 4 years to locate the missing customers. If they don't do any better tracing people when they are collecting money, they must have very high credit losses.

THE LAW AND RETAILING

This will become a standing head to highlight the increased impact on retailing of law enforcement in areas where it has been neglected over the years—or where new legislation will impact past operating practices. You might examine your own practice's in the areas indicated.

Safeway and Warehouse Sanitation: without admitting any wrongdoing, Safeway has agreed to pay $16,000 in civil penalties to Contra Costa County and $2,000 investigation expenses to the California Department of Health as settlement of a suit brought for Health Code violations in the Safeway Richmond warehouse. Violations included discovery of a dead mouse on a pallet of food mix and rodent-gnawed holes in packages. Safeway agreed to revise and improve their sanitation program.

We know that scales are supposed to be accurate and packages should contain the indicated weight of product. That is a sign of honesty. The New Jersey Office of Weights and Measures fined Pantry Pride $4,500, A&P $2,300, Foodtown $1,300, ShopRite $1,300, Finast $1,000, Food Fair $1,000, Acme $850, Stop & Shop $850 and Pathmark $600 because of short-weights. That would pay for testing a lot of scales.

WHY YOUR BIRTH DATE IS A KEY ITEM ON A CHARGE ACCOUNT APPLICATION

At least, it is key to J.C. Penney Insurance Companies of Texas—which follows up about 30 days before your birthday with a solicitation for a policy. The completed insurance application must be postmarked prior to midnight of the day before your birthday. The whole package is there—authorization to bill monthly through your charge account, an emotional appeal that this is your gift to your family, the little folded note with the handwritten appeal "If you think your family can do without this important protection, please read this", and a reverse-print return envelope.

Even my birth date isn't private any more.

WORDS TO MANAGE BY

Some of the advice contained in the standing orders that Major Rogers gave his Rogers Rangers in 1759 during the French and Indian Wars is pretty sound advice today. Note particularly Orders 1, 4, 5, and 18:

"1. Don't forget nothing.
2. Have your musket clean as a whistle, hatchet scoured, sixty rounds powder and ball, and be ready to march at a minute's notice
3. When you're on the march, act the way you would if you was sneaking up on a deer. See the enemy first.
4. Tell the truth about what you see and what you do. There is an army depending on us for correct information. You can lie all you please when you tell other folks about the Rangers, but don't lie to a Ranger or officer.
5. Don't never take a chance you don't have to.
6. When we're on the march, we march single file, far enough apart so one shot can't go through two men.
7. If we strike swamps, or soft ground, we spread out abreast, so it's hard to track us.
8. When we march, we keep moving till dark, so as to give the enemy the least possible chance at us.
9. When we camp, half the party stays awake while the other half sleeps.
10. If we take prisoners, we keep 'em separate till we have had time to examine them, so they can't cook up a story between 'em.
11. Don't ever march home the same way. Take a different route so you won't be ambushed.
12. No matter whether we travel in big parties or little ones, each party has to keep a scout 20 yards ahead, 20 yards on each flank and 20 yards in the rear, so the main body can't be surprised and wiped out.
13. Every night you'll be told where to meet if surrounded by a superior force.
14. Don't sit down to eat without posting sentries.
15. Don't sleep beyond dawn. Dawn's when the French and Indians attack.
16. Don't cross a river by a regular ford.
17. If somebody's trailing you, make a circle, come back onto your own tracks, and ambush the folks that aim to ambush you.
18. Don't stand up when the enemy's coming against you. Kneel down, lie down, hide behind a tree.
19. Let the enemy come till he's almost close enough to touch. Then let him have it and jump out and finish him up with your hatchet."

File in RF
Binder
w/ 5/78

November 8, 1978

Ms. Phyliss Swedd
GIFTS & DECORATIVE ACCESSORIES
51 Madison Avenue
New York, New York 10010

Dear Ms. Swwed---

I think thisis the issue you had in mind---under "The Editor Speaks" on page 2 of the May 1978 issue.

If you are quoting Edgar Fiedler, which I suspect is what attracted your attention, please feel free to quote him direetly. I rather hate to have something that I have quoted credited to our copyright.

Sincerely,

Robert Kahn

Put with
5/77 RT

SFU
SIMON FRASER UNIVERSITY, BURNABY, B.C., CANADA V5A 1S6
COMPUTING SCIENCE PROGRAM; 291-4277

November 9, 1977

Robert Kahn and Associates
Business Counselors
P.O. Box 343
LAFAYETTE, CALIF. 94549
U.S.A.

Dear Mr. Kahn:

Thank you very much for your back copy of the May issue of RT. I read it with interest.

I am just finishing a book on the social implication of computers and have taken the liberty of mentioning your name and that of your newsletter in its pages. The content of the reference came from our previous correspondence.

Sincerely,

T. Sterling

Theordor D. Sterling
Professor

TDS:ajj

November 2, 1977

Professor Theodor Sterling
British Columbia Computer Ombudsman
SIMON FRASER UNIVERSITY
Burnaby, British Columbia
Canada

Dear Professor Sterling:

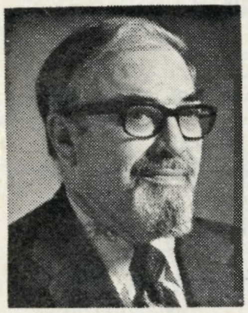
In pulling out a back copy of the May issue of RT, I suddenly had the feeling that I had never sent you a copy of the Feature Report based upon your article in Datamation of December 1976.

Without searching through all the correspondence filed, I am sending you this copy which may either by your first or your second one.

Did you ever find out why department store statements took significantly longer between postmark and delivery than did the statements from oil companies and credit services?

Sincerely,

Robert Kahn



RETAILING TODAY

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ROUTE TO

JUNE 1977

VOL 12, NO. 6

CORRECTION

In the May 1977 RT, under the heading "Now that Bank Cards are a Monopoly, the Merchant Will Be Abused" the statement was made that Bank of America had raised the discount charged to smaller merchants to 5%. Ken Larkin, the Senior VP of Bank of America, who was responsible for the growth of BankAmericard, was kind enough to call and point out that my statement was incorrect.

The Bank of America has not changed their discount rate since December 1975 and when a customer processes Master Charge through the BofA the volume of the two cards are combined so that many merchants are now getting a lower rate on both cards.

I am in the process of checking out the schedules of other banks and will probably have a more detailed report within the next couple of issues.

I regret having incorrectly criticized the BofA.

SHOULD BANKERS TELL THE TRUTH TO CONGRESS?

AMERICAN BANKER for April 28, 1977, under the heading "Required Reading" carried the statement of John F. Fisher, Vice President of the $650 million-deposit City National Bank & Trust Co. of Columbus, Ohio before the Consumer Affairs Subcommittee of the House Banking, Finance and Urban Affairs Committee. He was speaking to the question of competition when banks issue both BankAmericard and Master Charge—and the need for more (and more and more) card fees.

Let me quote two paragraphs:

> "There definitely is an effort within the credit card industry to bring about a more equitable pricing arrangement in which he who benefits—pays. As you know, today, if a credit card statement is paid in full within 25 days of the billing date, no interest is charged and, as a result, about 33% of the users pay nothing for the service, **causing those who cannot pay off in full to fund the entire system.**
>
> "This means those who can best afford to pay for the service—don't; and those who can least afford to pay for it—subsidize the rest. If you are truly interested in all of the consumers and not just protecting those who can exploit the 25-day grace period, then you must support banks in their efforts to charge monthly or transaction fees. This revenue stream will be necessary if the banking industry is to expand the service to higher-risk customers."

RT is convinced that a man in Mr. Fisher's position is aware that saleschecks are purchased at a discount of from 1¼% to 6% from face value. I doubt that his bank refunds this portion of the bank's income in the event the purchaser pays his account in 25 days. Certainly this is part of the cost borne by the purchaser—though computed as part of the transaction with the vendor (the vendor pays nothing unless there is a sale—and all of the cash in a sale comes from the purchaser).

Mr. Fisher must know that bad debt losses are substantially less among the customers who settle monthly than among those who use extended payments. And not all of the customers who settle within the 25-day period wait until the 25th day to pay.

RT has never seen a proper study that would support the urgent pleading for funds made by Mr. Fisher. What is the actual interest cost for accounts that settle monthly? What is the bad debt percentage compared with those who regularly use the revolving account? What are the differences in postage, envelope and other costs **per dollar of credit advanced?** Do the accounts that settle monthly involve higher average transactions, producing higher discount income?

Mr Fisher, of course, didn't want to mention those factors. He didn't even want to mention the obvious discount in the transaction. Perhaps his bank doesn't report such income as income for the credit card department like retailers once treated service charge income as something outside the credit department.

CUSTOMER ABUSE—ELIZABETH ARDEN STYLE

You say its great to patronize the names you know? And you know the name of Elizabeth Arden? So perhaps you feel that this is the place to buy an expensive suit for your wife for Christmas?

That's what an RT reader did—and it was one of the big mistakes of his life. The first mistake was that the suit was too large—and so his wife tried to return in on December 28th (the second business day after Christmas). She was told that the **refund would be issued in 3 weeks.** She waited 4 weeks and inquired about it—and was told that **it would take six weeks more!**

Her husband wrote to the Chairman of the Board and got sloughed off to customer service—but it did save 2 weeks on estimated time. Total time for a refund: over 8 weeks! And they didn't pay interest on the use of the money.

RThought: I think I'll contact Senator Proxmire about a Truth-in-Refund Bill or a Fair Return Bill.

THANK YOU FOR THE HONOR I RECEIVED

On May 22, 1977, I received an Honorary Doctor of Law degree from Franklin Pierce College in Rindge, New Hampshire. The citation said in part:

> "Robert Kahn, you have been instrumental in strengthening the retail industry through your relentless demands of ethical practices. As the publisher of RETAILING TODAY, you have become the conscience of this multi-billion dollar industry. Not only do you protect the integrity of those that do business with the public, you speak for the consumer who looks for a good product at a fair price."

When I was first contacted by Franklin Pierce College in January, I found the idea hard to believe. Bill Kenney, Chairman of the Executive Committee of King's Department Stores, is one of their Trustees and had brought RT to their attention. I told Walter Peterson, President of Franklin Pierce (and former Governor of New Hampshire), that when I wrote RT I often wondered whether people would quote me or sue me but I never thought that they would honor me.

My joy was doubled when I was asked if I would address the Senior Banquet (attended by parents and friends of the college as well as the graduating class) on the subject of ethics.

In my remarks to the Seniors I point out that they should have been honoring you instead of me and offered to prove my statement. The logic that I offered was this:

1. If the Trustees had not read RETAILING TODAY they would not have known wnat my thoughts were about ethics in retailing.
2. RETAILING TODAY would not exist if you did not subscribe to it.
3. You would not subscribe if you were not interested in bringing higher ethical standards to retailing–and in being reminded periodically of areas that you might have been overlooking. Your interest is further confirmed by an 80% renewal rate which, I understand, is considered very good for a newsletter.

In my talk, I emphasized to the Seniors that their life would be happier if they set out to DO GOOD rather than MAKE GOOD because then they would accomplish both. I told them that there were many of you out there in business–I firmly believe that it is most of you–who are concerned about the ethical standards you follow. Unfortunately we don't talk about ethics often enough to know how the person alongside of us feels. We have made it appear that the right thing to do is to chisel on income taxes and travel expenses, to pass off substandard merchandise as perfect, to send back perfect merchandise (when overstocked) to reduce an overbought condition and to do many other unethical things.

Yet when people are asked about their own ethical standards–whether they are more honest, less honest or the same as their peer group–75% report that they are more honest. Statistically this is not possible. It means that we don't know what our peer group feels or what they do.

I urged the young people to talk about ethics, to question practices that they didn't think were right, and always handle their financial affairs so that they could exercise the final disapproval–quit a firm whose standards do not come up to their own.

I was pleased with the response from both the students and their parents. Even my own kids, both in college, said that my comments were "Right On."

And so my thanks to the hundreds of you whose support brought me this honor.

WHAT WENT WRONG WITH NEW YORK CITY– AND WHO WAS TO BLAME

Kenneth Axelson, Senior Vice President and Chief Financial Officer of J. C. Penney Company and, for 1 year, Deputy Mayor for Finance of New York City, wrote an excellent article entitled "Crisis in New York City: The Case for Municipal Accounting Reform." It appeared in the Winter 1977 issue of JOURNAL OF CONTEMPORARY BUSINESS (Graduate School of Business Administration, University of Washington, Seattle, Washington 98195, Single copy \$3.50; \$10/year).

Axelson tells the story of what happened and RT feels that the blame can be placed upon the basis of the story told. Axelson set forth the following major problems:

1. Raising money on long-term bonds to fund social services culminating with \$600 million of operating expenses being charged to the capital budget in 1975.

2. Using accepted (?) municipal accounting which recorded income as accrued before collected but expensed only when paid.

3. Using obsolete actuarial data (some from before World War I) because current data would have boosted the funding required for the pension plan.

4. Inadequate prospectus disclosure when selling municipal bonds and other obligations.

The story told by Axelson is frightening–but more so because it happened in the City of New York.

When the problems of New York City reached the level of national public interest I strongly objected to the "drop dead" attitude of President Ford. He got a great deal of applause and laughter when he asked people in North Dakota and Iowa if they wanted to pay the bills of New York City. If President Ford didn't know, then he should have known, that most of the ancestors of the almost all-white upper north central area entered the United States through New York City during the days when more than 80% of the new arrivals needed financial and other assistance. All of that assistance was provided by New York City out of its own funds–not one cent came from the Federal Government. New York City still sends far more money to Washington than it gets back–even counting the assistance given during the past two years.

But none of this excuses the real culprits in this story.

The first and second problems listed above are violations of sound accounting principles–and New York City is the headquarters of the American Institute of Certified Public Accountants (1211 Avenue of the Americas).

The third problem should have been of concern to the Society of Actuaries, which happens to be headquartered in Chicago, but New York City does claim some of the largest insurance companies in the world (Metropolitan, New York Life, Equitable, Home, Mutual of NY, etc.). Top actuaries are available.

The fourth problem should have been of conern to the Financial Analysts Federation (219 East 42nd Street) as well as the two major bond rating agencies, Standard & Poors (345 Hudson Street) and Moody's (99 Church Street).

ARTICLES THAT DINERS CLUB PRINTS

Diners Club is classed as a "travel and entertainment" card as opposed to a bank credit card. As such a much higher percentage of the transactions handled by Diners Club are business expenditures and a higher percentage of their documents become supporting data for either reimbursement of employees or a direct business expense deduction for income tax purposes.

Diners Club publishes a magazine to which cardholders can subscribe and I believe only cardholders receive it. This magazine is called SIGNATURE. A three-page article in the April 1977 issue has caused me great concern.

The articles is entitled "EXPENSE ACCOUNTS–Maybe the Best Friend you ever had." It was written by William Flanagen and was classified under "Business."

I responded strongly to the Company and have been in correspondence with Robert S. Plummer, Vice President and General Counsel who claims my understanding of the article does not represent the "real content of the article." Because of my misunderstanding of the article he refused me permission to reprint 600 copies which I wished to send to every member of Congress.

It is his position, and I quote from his letter, that "There is nothing in this article that would suggest the author or our company counsels or condones the 'chiseling' or 'cheating' on expense accounts by employees of corporations."

Within the restrictions of the copyright law I will try to summarize the entire article–in my own words–quoting only selected parts. I hope that this will prompt you to write to Mr. Plummer and ask him to send you a copy of the April 1977 issue of Signature.

The article starts with a story of a friend who was offered two comparable jobs, one paying $25,000 plus $8,000 in expenses and the other paying $30,000 plus $3,000 in expenses. He took the former because the more liberal expense allowance would permit him to spend more money wooing customers. In making the decision the author said "He also figured he could liberate as much as $2,000 of that expense budget for personal use by finagling records a bit. That's not exactly kosher, but common enough. Those tainted dollars would come totally tax free, not to mention without his wife's knowledge. And to Pete, who is in the 45% tax bracket, those tax-free, wife-free dollars are worth double their face amount."

He then comments that the situation is not unusual, that "Major corporations and various government agencies are well aware of the fact that many if not most people abuse their expense accounts." He cites the fact that George Washington submitted $449,261.51 in well documented expenses over the 8-year period that he commanded the Revolutionary Army.

In comparison he points out that General Thomas Nelson, Jr., was not so careful in keeping his expense records, was not reimbursed, and died broke four years after the War.

Mr. Flanagan then went into a good summary of the requirements set forth by the tax laws regarding travel and entertainment expenses, citing as his source the Research Institute of America. He closes with a warning about record retention and statutes of limitations.

This was followed by a story of a reporter who spent $1,400 cash for the use of a plane the pilot borrowed from his employer corporation (payment was made in cash) but which he covered on his expense report to his editor by listing it as the cost of a cow killed going to the assignment.

He then told the story of a young executive who thought his new position included reimbursement for country club dues but was turned down by his boss. He re-did his report and when his boss asked if the dues were still included he replied that they were but that his boss couldn't find them.

Mr. Flanagan then explained that experienced salesmen cultivate headwaiters and bartenders and often can come up with blank receipts. Moving from bars and restaurants to travel Mr. Barrows wrote "If you do a lot of traveling, especially by air, there are many ways to trim your expenses–therefore to come up with receipts for more than you actually spend, if you must. If your company permits you to travel first class, for example, you can turn in that ticket and fly coach." This is followed with a comparison of first class and coach fares.

He then turns his attention to international flying where there are more discount fares and offers the following story: "Ask the New York publisher recently bound for a week in Paris. He had instructed his secretary to order airline tickets and to wire the George V for his week-long stay. The total tab was close to $1,400. On the advice of a friend, he later called a travel agent who managed to get him a special GIT package covering the same time period and confirmed a room at a comparable hotel. The cost was $500 less, and there were extras thrown in, including the use of a car for a day and several free meals."

He then comments that "expense accounts are and will be abused" but that the type of expenses covered are usually true business expenses and will continue to be allowed. Much selling, contact-making and even information gathering involves travel and entertainment. But he then tells the story of the public relations man who underspent, to help his boss out, until his own budget was too small to do his own job.

Next he points out the advantages of owning your own business where it is not likely that you will spend too little and uses as his example Malcolm Forbes who expenses his hot air ballooning and yachting. He follows this with a comment on restricting travel expenses of accountants who travel directly from home to a client rather than going to the office first. And compares that with a man who owns a Rolls-Royce because there is no limit on the cost of a business car (assuming that it meets the business use test).

Mr. Flanagan maintains that the IRS responds to what the public considers abuse and uses as an example the reaction to the gift by Nixon of his vice presidential papers. Yet the IRS backed off denying a deduction to Senator William Proxmire for his hair transplant.

More recently the IRS has issued new rules on overseas business travel, limiting both the number of conventions one can attend and the amount of expenses one can deduct.

He suggests that you pick up IRS Publication 463 entitled "Travel, Entertainment and Gift Expenses" which is free at any IRS office.

His final example is expense tightening being done by stockholders and reports the reaction of the Board of RCA to the spending of recently deposed Chief Executive Officer Robert Sarnoff.

Mr. Flanagan concludes with the statment "But most of us have only the tax man to reckon with. Remember that the best expense account defense is a good offense—hire yourself a good tax man, too. Preferably one who has previously worked for the IRS."

RThought: If you are as concerned as I am about this article going out to your employees who use Diner Club to support their expense reimbursement perhaps you will do the following:

1. Write to Robert S. Plummer, Vice President, Diners Club, 10 Columbus Circle, New York, New York 10019 and ask for a copy of the April 1977 issue of Signature (the article is on pages 35-38). Please send an info copy to me.

2. Read the entire article.

3. If subsequent to reading the article you do anything further I would appreciate being kept informed.

SHORT SHORTS

Gulf Oil agrees not to violate Truth-in-Lending according to a consent order signed with the FTC. They must state conspicuously "The Cost of Credit is Included in the Price Quoted for the Goods and Services" in all future ads and eliminate the "added contradictory, obscuring or detractive information." Another example of great leadership from one of the world's largest corporations—consistent with the dishonest political payments that forced the termination of their top officers. (Note: most oil companies include the required statement in their merchandise offerings).

Sell a credit instead of a refund? RT has always opposed the practice of denying cash refunds when merchandise is returned with proper identification (known customer, salescheck, etc.) although the desire to complete the transaction is understood. Perhaps the answer found by Lion's Den, a San Francisco-based group of men's large sizes stores offers a solution. They have a prominent sign that says:

10% EXTRA IF YOU ACCEPT A CREDIT

Cash		Credit	
Mdse	$12.00	Mdse	$12.00
Tax	.78	Bonus	1.20
TOTAL	$12.78		$13.20
		Tax	.78
		TOTAL	$13.98

Edson Gould digs gold out of mailing list. Many of you have read his reports, his comments or seen him on TV. Ever wonder what keeps him going? In the past 18 months he spent $400,000 mailing solicitations that developed 20,000 buyers. His list of good names is only 28,000 so apparently they drop off rapidly. Gould claims that they paid as much as $500 for a 1-year subscription although these may have been outnumbered by the group that paid $10 for a single issue. In any case, Gould is offering me a great opportunity—to rent his mailing list for just $60 a thousand—minimum of 5,000 names with a 20% commission paid to brokers. And all those people thought that Gould wanted their name for private purposes.

Trading Stamps come and go. RT has often pointed out that there is no single method of merchandising that which is always successful. When everyone uses trading stamps, cutting prices will shift customers. When everyone is cutting prices, trading stamps will shift customers. So it goes. Great Scott Supermarkets in Michigan is putting S&H Green Stamps into 75 stores while across the Atlantic Tesco, the largest supermarket chain in Great Britain, will stop issuing stamps in more than 700 stores and start a discount pricing policy (and probably a price war).

Kurt is winning! In the March 1977 RT, under the title "Kurt is fighting for us", RT reported that Kurt Barnard, formerly head of the National Mass Retailing Institute and now head of the Federation of Apparel Manufacturers, was fighting the move by fabric suppliers to impose an "energy surcharge" in addition to the contractual price for the fabric. Some of these surcharges are now being withdrawn—and Kurt is keeping RT posted on the progress.

Building employee confidence and loyalty—the Amfac way. Teller Weinmann, EVP of Amfac in charge of retailing, in response to a question as to whether a mainland store was for sale, is reported to have said "We'll sell anything if the price is right, but they'll have to come to us. We sold off Gano Downs and made a profit on it too, so we're not married to any one store or group."

Wonder why Larry Flynt was smiling while being convicted for organized crime by publishing Hustler? His current ad reads "HUSTLER is now 8th in newstand sales of all magazines in America, 3rd in average dealer profit per issue of all magazines in America, 1st in the hearts of ten million readers in America."

Is there a future in kids? The fertility rate dropped again in 1976 to 1.8 children per woman, half of the 1957 rate, and the 19th consecutive year of decline. 2.1 is considered the "zero growth" replacement rate. But the frightening thing is that 40% of the births are not planned or not wanted. If this 40% is eliminated through birth control the birth rate would drop to 1.1 or half the replacement rate. **RThought:** if the women today reach this goal who is going to be around to pay into Social Security when you want to collect?

The miracles of EFT! Wells Fargo Bank recently sent a computer-prepared "Advice of Overdraft" to the 21-year-old daughter of a local editor charging only $4 for an overdraft of $5,999,698.12! Undoubtedly the lowest interest rate in town—but it does make you wonder how they balance their books at the end of the year.

A new position on the roster—Senior Vice President of Marketing at Carson Pirie Scott. Board Chairman Norbert F. Armour, at the annual meeting, after pointing out how expensive it is to add stores ($60 per square foot for building, fixtures and inventory), said "Under these conditions, we must continually seek less costly ways to increase sales. In fact, we believe so strongly that internal sales growth is an absolute requisite to profit growth, we have established the important new executive position of Sr. VP for Mkting."

The City has two of the three largest banks in the country (Citicorp and Chase) who should have been concerned but who, even when the situation was looking bad, bought the bonds and peddled them to unsuspecting investors throughout the United States. (I was in one of the 20 largest banks during this period and heard two executives talking: No. 1 asked "How much did you get stuck with on New York bonds?", to which No. 2 replied "None, we peddled all of them!").

It is hard to count the number of major corporations headquartered in New York City and the number of chief financial officers (many of whom bought New York City notes for the high yield) who totally neglected the city government. I suspect that Axelson had little interest in the financial soundness of New York City during the years when he was greatly concerned about the financial soundness of J. C. Penney Company. But this was only typical.

RThought: Corporations constantly claim the rights of individuals despite being artificial creations of the state. They want free speech, the right to give money to political candidates, the right to sue when they are "libelled" and the right to a free enterprise system. Yet they are unwilling to assume the responsibilities of good citizenship that are the corollary of such rights.

Most of the chief financial officers in New York were glad to close their eyes to what was being done—because to correct it would have meant more taxes on their corporation (and on themselves). This is a cheap cop-out. It shouldn't be. And retailers should be the leaders in civic responsibility—for they are closer to the citizens of the city. The destinies of the city and the retailer are more closely entwined.

MUST ASSOCIATIONS SPEAK WITH ONE VOICE?

Steve Weinstein, in his excellent column "One Man's View" which appears weekly in **Supermarket News**, recently picked up on the argument raised by Mike De Fabis, President of the Preston-Safeway supermarket chain out of Indianapolis, at the recent Food Marketing Institute meeting in Dallas.

De Fabis said that he did not feel that it was necessary for a trade association to have only one position and to represent that the association's position is the unanimous opinion of the industry. This is a particular problem when one looks at trade associations that have such diverse member firms (and such diverse chief executives) as Food Marketing Institute, National Retail Merchants Association, Menswear Retailers of America, National Home Furnishers Association and even such apparently uniform retailers as the two NACS—National Association of College Stores and National Assocation of Convenience Stores.

RT has previously commented in detail on the propensity of speakers within trade associations to be vociferously against things (usually on a non-constructive basis) and seldom vociferously for something. (See RT November 1976 Feature Report "Hate the Government—Theme of Major Retailers?").

There is something that happens when trade association members get together. First of all, the truly independent thinkers may very well not be there. They frequently find that such meetings are an assembly of the average trying to raise the lowest common denominator. This should not be taken as criticism—but as comment.

Outstanding retailers with great success stories (The Gap, The Limited Stores, Standard Brand Paints, Lowe's, Petrie Stores, Long Drugs, Mervyn's, and many others including many privately held companies) are usually headed by people who have a complete philosophy on how they are going to operate. They don't need to get ideas from people who have demonstrated that they are growing slowly with an inadequate return on equity (the two are related).

But even within the numbers that do attend there can be a difference of opinion. The Menswear Retailers of America have had a large number of members who are pressing for energy conservation by legislating limits on store hours. The course they happen to pick appears to be great for men's stores but would destroy the convenience store industry. Collectively the limitation on retail store's hours would probably drive a substantial number of discretionary dollars out of retail spending and into entertainment, restaurant and vacation channels. One has only to look back on the change in consumer expenditures during World War II when incomes were high and merchandise was scarce.

RThought: Mike De Fabis is on the right track. Steve Weinstein is doing a great service to the supermarket industry by bringing the point up to the discussion level. Only by discussing the "multiple position" presentation can associations learn how to handle such a policy. How will an association decide which positions to report? How many different positions can an Association present without losing effectiveness? How does the association decide the relative support among its members for each of the positions presented?

RThought: Tied into the "multiple position" policy of retail associations should be a policy of always making criticism constructive. Esther Peterson, former Director of Consumer Affairs and Vice President of Giant Foods (of Washington) and now the consumer advisor to President Carter (as she was to President Johnson) made that distinction when explaining to Supermarket News why she had lashed out at the Grocery Manufacturers of America and not the Food Marketing Institute even though their positions were very similar. Said Peterson, "FMI's objections have been voiced more constructively."

MENSWEAR MERCHANTS MISS MAJOR MARKET

In the middle of the May heat wave along the Atlantic Coast I spent 4 days in New York City—and wondered how the menswear merchants could miss such a massive market.

As New Yorker's know—executives walk more (and faster) in New York City than any other place. One morning I was early for an appointment and walked Park Avenue from 77th to 54th—in the company of many executives walking to work. Being from the West I am a bit more casual—and although I started out in big city garb of coat and tie (no vest), I was soon carrying my coat over my arm. But I was alone—everyone else suffered the heat and discomfort.

I wondered again about the stupidity of men—as I observed (naturally) the attire of the ladies. They had comfortable, loose-fitting dresses with low necklines. The Manhattan Executive had 4 or more thicknesses of a tie under 4 or more thicknesses of a shirt collar under a many-layered coat, a plastic shirt that doesn't breathe and even a vest!

In addition I noted that when the ladies wore loose-fitting dresses with a belt the belts were loose. But the men piled layer over layer—undershirt, shorts, shirt, pants and vest around their waist, and then cinched everything with a tight belt just to insure that there could be no air circulation.

Then I recalled that almost every picture I had ever seen of a designer of men's suits showed a sensible man in casual clothes witn an open collar. If men's stores want more business they should concentrate harder on proving the stupidity of conformity among male executives. Thorstein Veblen in "The Theory of the Leisure Class" pointed out that executives wear clothing that gives visual proof that they don't have to do hard or menial labor for a living. But he never argued that they had to be stupid in the process.

THE LAW AND RETAILERS

Maryland has a law requiring retail food operations to display the unit price for products sold (price per oz., lb., quart, etc.). The law excludes family owned stores doing less than $750,000 a year, chains with fewer than 10 stores and certain other groups. Because local major chains were not making a sincere effort to comply with the law, John Ruth, Director of the Consumer Protection Agency, made a survey in the Baltimore-Maryland area during the summer of 1976 and found many errors: the wrong unit of measure was used; items were not posted at all; manufacturers had changed the content of the package and the new unit price had not been posted. As a result of the suit he instituted the following fines were paid: Martin's $3,200; A&P $1,500; Food Fair and Grand Union $1,250 each; Safeway $1,000 and Acme and Weis $750 each. In addition each chain will have to stuff the unit pricing law brochures in each customer's bag for a 2-week period.

RThought: Even though retailers may oppose laws before passage and object to them after passage, the rules of our government call for them to comply with the laws. Failure to implement procedures to assure compliance contributes greatly to the low opinion citizens have of business. In recent years (because of inflation beyond the control of retailers) the food industry has been held in particularly low regard.

THAT DAMNED EFTS AIN'T WORKIN'— NOBUDY KIN REED 'ER KOUNT!

The proponents of EFTS are largely among the college graduates with excessive technical skills and little understanding of people. They tend to be dedicated to the establishment of the machine over man. All of their plans are based on survival of only those people who can interface with a computer.

Practitioners of electronic supervision of people are finding the problem is difficult. In an article in the April 1977 issue of **Datamation** entitled "The Evolution of Office Information Systems" by J. Christopher Burns of Arthur D. Little, he touches on the problems of the illiterate in our society today:

Letter writing—and all communication—is becoming less precise (and more lengthy) because young executives/supervisors don't know English well enough to be precise. Everything, it seems, has to end with "Ya know?" He points out that the Education Testing Service in Princeton, which administers the Scholastic Aptitude Tests, reports that the reading comprehension of college-bound high school students has dropped by 10% in the past 15 years. Perhaps much of this can be attributed to TV—the corrupter of reading habits.

Dr. Mel Levine of the Children's Medical Center in Boston reports that writing disabilities are rampant among teenagers.

Studies of users of office information systems and word processing systems show that the creator of written documents is talking longer, saying less, making more copies and not reading his incoming mail as quickly and yet is less able to understand it!

All the time our creative technology companies are producing faster printers, faster copiers, greater storage capacity on disk, tape or microfilm and distributing it faster. More information is going into management information systems that will never be retracted, even if the searcher recalls the proper nouns, because the searcher can't spell the noun!

20% of the high school graduates that don't go to college also don't open checking accounts because they are unable to handle the addition, subtraction and writing!

Professor William Paske of Kansas State University studied the effects of pocket calculators on 1,000 students and concluded that the use of calculators decreased the ability of students to understand mathematics with the result that they increasingly accepted illogical answers resulting from errors in punching numbers into the calculator. For proof, I can recall the time a clerk got a pencil and paper out to multiply 3 times $1.01! Buy a case of 12 bottles of soda or wine or something else with a uniform price and watch how the checker handles the transaction. More than half will hold down the price keys and repeat the unit price 12 times (sometimes 11 or 13). Few can even do the simple calculation of entering ten times the unit price plus the single price twice. None, to my experience, have been able to muliply even 12 times 25¢ in their heads!

RThought: And to think that the United States government is pushing EFTS on us! Thank goodness we have some clear thinkers like the corner supermarket chains (through the late Super Market Institute) that turned down the blandishments of the paragons of technology who asked for money to support a study of how EFTS could be used to reject 20%-30% of supermarket customers who can't interface with a computer.

WORDS TO WRITE BY

RT is indebted to Budd Gore for researching the following item. He indicated his source as the CHICAGO SUN-TIMES July 5, 1967, reprinted from the Cook County Educational Directory which, in turn, reprinted it from the Education Reporter when he included it in his RETAIL MARKETING SOURCEBOOK.

PUNGENT, POINTED TIPS FOR WRITERS

1. Don't use no double negative.
2. Make each pronoun agree with their antecedent.
3. Join clauses good, like a conjunction should.
4. About them sentence fragments.
5. When dangling, watch your participles.
6. Verbs has to agree with their subjects.
7. Just between you and I, case is important too.
8. Don't write run-on-sentences they are hard to read.
9. Don't use commas, which aren't necessary.
10. Try to not ever split infinitives.
11. Its important to use apostrophe's correctly.
12. Proofread your writing to see if any words out.
13. Correct spelling is esential.

RETAILING TODAY

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EMPLOYEE THEFT—AN INTERESTING STUDY

In the December 1976 issue of BUSINESS HORIZONS (School of Business, U. of Indiana, Bloomington, IN 47401 $2.50/copy; $12/yr.) there was an article **"Employee Theft: Views from Two Sides"** which compared surveys of employers and employees (the latter divided into those who admitted previous thefts and those who denied previous theft). The conclusion was that retailers (the study dealt largely with smaller stores) generally underestimate the extent of employee theft.

The article used as its base point a previously published study that indicated that 50% of employees admitted stealing from their employers (RT questions the validity of the report cited). The current study reports that 83% of the employers think that 2% or fewer of their employees steal.

The study of employees brought forth some interesting views. Among the employees, 69% felt that taking something worth less than $1 was not stealing!

Even more surprising was the fact that when employees were asked what punishment was appropriate, 41% of those admitting stealing and 47% denying stealing felt that nothing should be done or that the employee should be made to pay for the merchandise! 22% and 18% felt they should be made to pay for it and be suspended for a couple of weeks, 18% and 24%, respectively, felt that they should be fired and prosecuted while 19% and 11% had other ideas or made no response.

RThought: This is further evidence that our society has failed to instill in people a recognition of what is theirs and what is not theirs. This training must start in the home and be reinforced in the schools. Unfortunately this is not happening. The idea of honesty will not develop when the newspapers report that someone can steal $200 million from a mutual fund and spend his life in luxury safe from the law or that an admittedly dishonest former President can make millions while enjoying a substantial pension, government-paid office and staff and lifetime protection by the Secret Service.

We often appear to reward dishonesty much more than we reward honesty—the man who discovered the door latch that was taped open and who thus broke the Watergate story still cannot get a job.

HOW A FACT IS BORN

Retailers (and everyone else) should be very careful of the positive statements they make—or the estimates they draw from their past experience.

A MATTER OF ETHICS

The dictionary says ethics is the study of standards of conduct and moral judgment; moral philosophy.

There is no such thing as "ethics" in our free enterprise system as set forth by Adam Smith. There is a good bit in our Declaration of Independence and our Constitution. The Declaration says "We hold these Truths to be self-evident, that all Men are created equal, that they are endowed by their Creator with certain unalienable Rights, that among these are Life, Liberty and the Pursuit of Happiness." The Constitution says "We, the people of the United States, in order to form a more perfect Union, **establish justice**, insure domestic tranquility, provide for the common defense, **promote the general welfare, and secure the blessings of liberty** to ourselves and our posterity . . ."

Ethics is closer to religion than it is to capitalism, free enterprise or political democracy.

Why are business leaders afraid to acknowledge the nature of ethics and morality? Why do they try to insert ethics and morality into the free enterprise system?

We must have ethical conduct only because we can prove to ourselves the need for such conduct—even though it is **not** part of our economic theory.

Why should Malcolm Forbes be so excited about the students at Babson College who, he said, spoke with understanding "about the responsibility of good management; about profit and **about corporate morality**" as part of "the fundamentals of free enterprise?"

Why should Harvey Kepnick, Chairman of Arthur Andersen, when accepting the "Business Statesman Award," say "The greatest danger to our democratic, free-enterprise system in my opinion, is if our business and professional leadership remains aloof of the total needs of our society."?

Are we ashamed to say in business as we used to say in the Scout Oath that we promise to keep ourselves mentally awake and morally straight?" We will never become "morally straight" until we can discuss morality as morality.

Tell it straight. Our economic and political philosophies do not deal with ethics and morality. But we must. It is our duty because we, as logical human beings, can convince ourselves that it must be done. All other courses of conduct lead to the destruction of values that we hold higher than profits and voting. At the center of ethics is the dignity of man.

An article in the June 1975 issue of Polygraph-Journal of the American Polygraph Association contains the following sentence: "Virgil Martin (1970), Chairman of the Board of Trustees (sic) of Carson Pirie Scott, a large Chicago department store chain, estimated that retail department store losses due to employee theft equal profits before taxes, and amounted to two to four percent of gross sales income in 1970."

Assuming that Mr. Martin had the National Retail Merchants Association Financial Operating Results (FOR) report available (he was then Chairman of the Board of NRMA) he would have been able to report that in 1969 the median stock shortage rate, from all causes, measured at retail was 2.34% of sales. The cost of the shortage would have been 57% of that amount or 1.33% of sales. For the same year pre-tax profits were 5.31% of sales and after-tax profits 2.55%.

Shortage figures at retail varied widely by store size—ranging from 1.2% of sales for stores in the $1-5 million range to 2.54% for stores over $50 million (the class size of Carson Pirie Scott) while pre-tax profits ranged from 1.7% for stores in the $1-2 million range to 5.7% for stores over $50 million. (Could one argue from this that the higher the shrinkage, the higher the profit?)

RThought: The NRMA FOR was based on information from department stores doing $5 billion in 1969. The 1967 Census of Business indicated that total department store sales (which included such firms as Sears, Wards and Penney who do not report to NRMA) totalled $32 billion. Thus the NRMA FOR sample appears to be sufficiently large to be considered representative.

Mr. Martin said something that the published facts did not support—but he said something that many people want to use to prove how much dishonesty there is. Certainly one cannot project the amount of employee theft that may not reflect itself in stock shortage (kickbacks from suppliers, theft of supplies and capital assets, cheating on travel expenses, fraud invoicing for goods not received, writing off charge account balances, etc.) at being substantially more than total stock shortage at cost (not retail); nor can it be argued that the reported stock shortage figure does not contain any shop-stealing or clerical error.

The purpose of this comment by RT is simple: If you speak on behalf of the retail industry, do not grab figures out of the air just to make a point. They will be passed from writer to writer for years. It will reflect unfavorably on you and do a disservice to your industry.

RThought: From The (London) Times of June 5, 1977, a quote from the British government's 1973 report on "Shoplifting and Thefts by Shop Staff:" "None of the larger retailers said that they were able to distinguish total losses by shoplifting from losses by staff and on delivery." My thanks to Dr. Jason Ditton, Department of Sociology and Social Administration, University of Durham, who included the citation in a letter criticizing the very same kind of unsupportable statement that RT is protesting herein.

TANDY PLAYS A DANGEROUS GAME

As of June 24, 1977, Tandy Corporation made a public offer to purchase up to 3,500,000 shares of its stock for $29 a share with the cash to come from operating funds and bank loans. The offer indicates that Tandy has a temporary line of credit for $100 million and "(i)t is contemplated that the demand notes will be refinanced into a longer term agreement." Note that the longer term agreement has not been finalized.

If 3,500,000 shares are tendered, then the stockholder's total equity will be reduced to $54 million—less than the earnings for the 9 months ending March 31, 1977! Long term debt alone (disregarding current debt) will be 5 times stockholder's equity!

The long-term debt will include the debt mentioned above—the terms for which have not yet been agreed upon.

The offer comes after the stock price has declined substantially during the second quarter of 1977 (from the 30-42 range in 4th quarter 1976 and 1st quarter 1977). There have been unfavorable articles (Business Week, May 30, 1977 for example). The impact of reduced sales volume in CB equipment (common to all in the field and a temporary problem) resulted in a decline in earnings in the 1st quarter of 1977 (the first decline in many years).

In recent years the company has been stripped down to Radio Shack (Tandycrafts and Tandy Brands were spun-off in 1975) and 2,450,000 shares were converted to 10% Subordinated Debentures.

As a result of all of these activities the number of shares outstanding will be reduced from about 18.5 million to about 12 million shares and the 1.5 million owned by officers and directors will increase from 8% to 13%.

Total liabilities as of March 31, assuming the full 3.5 million shares are offered, will be $144 million current liabilities and $254 million long term liabilities for a total of $398 million in liabilities compared to $54 million in equity!

RThought: This heavy debt structure, where a loss equal to a normal year's profits would eliminate the equity position, could place in jeopardy a major company. Many companies have tried to operate with excessive leverage. Interstate Department Stores tried it. Hartfield-Zody's tried it. The list of those who tried and failed is long.

WHEN WILL K-MART STOP?

That is the question many retailers are asking themselves—retailers like Penney's who used to do more volume and make more money than K-Mart and retailers like Jamesway and Wal-Mart and Gibson who built their organizations to serve smaller communities.

Robert Dewar, Chairman of CEO, tried to tell them in his message in the annual report—a message that is read more by his stockholders than by directors of corporate expansion in other firms.

Dewar reminded his readers that in 1972 K-Mart announced that their goal was to do $8 billion by 1976—and they did that with $382 million to spare. When the 1972 announcement was made, K-Mart had just reached $3.1 billion and was at the start of a year during which they reached $3.8 billion.

It was in December 1976 that the goal of $16 billion by January 1982 was announced—and it is K-Mart's intention to improve profits faster than they improve sales volume.

LESSONS TO BE LEARNED FROM J. MAGNIN

I was a mighty small lad when my Mother explained to me the difference between I. Magnin and J. Magnin. In those days there was one of each in San Francisco and one was tempted to ask "If there is an I and J when will there be a K?" But that was before the days of branches—except for the unsuccessful branches that San Francisco stores (Roos, Ransohoff, and others) tried to start in the 1920s in Los Angeles.

Those were the days when San Francisco was the major city in California. But San Francisco stores quickly found that the people in Los Angeles were not waiting for them—any more than New York City was waiting for Gimbels a decade earlier, or Indiana in this decade was waiting for Lazarus.

In the post-World War II years, J. Magnin carved out a great market for itself—and the company pushed ahead under an aggresive family team. Cyril Magnin became President in 1952 and with sons Don and Jerry plus daughter Ellen and her husband Walter Newman they rapidly developed the JM Image.

I can recall talks by Don Magnin when he explained that JM merchandised to the "JM Woman"—a person who was looking for the styling package that JM had assembled. Their branch store policy was simple—they would open a branch wherever there were enough "JM Women" to support a store.

Initially they had great success away from home. In Reno, in a small store, they did a great job—but that was in a town where the leading store was Penneys!

They first started to waiver from their comprehensive philosophy when they opened a store on the wrong side of the street in Hayward—a town that didn't have enough JM-types to really warrant attention. The explanation given by people on the outside was that the landlord let JM (or the family) acquire an interest in the building. Now the Magnins could have the store profits plus part of the goodies that went to the landlord. The opening day must have been a disappointment to the Magnins.

Three decades after the first unsuccessful branches of San Francisco stores in the Los Angeles area, JM made its move. And they found that Los Angeles was not waiting for JM. Los Angeles had some pretty good stores of their own that were providing just what the people in LA wanted.

In the years that followed the Amfac purchase of JM, the Magnin team broke up—Ellen Newman is a consultant, Jerry has his own operation in LA, Walter Newman went to I. Magnin and then into real estate and investments, and Don is in his own business. Cyril became Mr. San Francisco.

And now Henry Walker, Chairman of Amfac, says Amfac sold JM because in a company doing more than a billion dollars a year the top management couldn't give the necessary "attention to fine detail" required by a specialty chain.

They couldn't even find a chief executive who could come up with a comprehensive philosophy of merchandising—the essential element that Cyril and his family had brought in the years following World War II.

RThought: The world is full of "just another store" operations. They come and go—sometimes they get sold. They don't have to be style leaders to make money—see "Making Mountains of Money Merchandising to Markets that Mass Merchandisers Miss" in the April 1977 RT.

But 48 stores aren't going to be made into something in weeks or months by a miracle man who is also expected to improve the "bottom line." It is going to take someone who knows what he wants to do with 48 stores.

The purchaser of JM, reportedly backed by foreign money, has no experience in retailing. Ross Hall Corporation was known as a real estate and investment firm before acquiring the Rexall Drug operation from Dart Industries earlier this year.

But Ross Hall has already announced that they will open 50 new Magnin units in "second-level metropolitan areas"—before they know what image or concept JM should establish! To help them attain this goal they have hired a CEO for JM—he comes from the Value Giant discount operation formerly owned by Castle & Cook.

The future does not look bright for JM. Cyril Magnin, as Chairman, is going to try to give it a recognizable fashion image—but he says if he can't make improvement he will leave. Watch for that sign—it may come soon.

SHORT SHORTS

A new package delivery service? The Council on Wage and Price Stability has urged the Interstate Commerce Commission to permit bus companies to provide pickup and delivery service on express shipments in order to better utilize the available but unused freight capacity on buses.

Federated Department Stores builds shopping centers without any net worth. That's what the 1976 annual report shows—their unconsolidated subsidiary, Federated Stores Realty, Inc., has a negative net worth (MINUS $1,100,000)! Yet they were able to get millions in mortgages. Obviously this would not be true if there was not the implied (but probably not expressed) backing of the parent company. From a stockholders position the accountants appear to be wrong in not forcing a consolidation of the subsidiary.

Counter culture retailers? The Tarrytown House Executive Conference Center is offering to counter-culture businesses a 3-week management training program including guides on how to finance their businesses (counter-culture retailers require less capital—do more themselves—seek a lower return). More and more counter-culturists are drop-outs from the "big business" world and are developing businesses doing more than $1 million a year. Specialty retailing—T-shirts, natural foods, crafts shops, art goods, books, simplified clothing and more—is attracting many entrepreneurs.

A STATISTICAL SUPPLEMENT

The Honoı Roll continues to grow as more and more retailers show that they can bill promptly. For new readers of RETAILING TODAY, you should know that the Honor Roll, when first established more than 10 years ago, set 5 days as the goal. So many firms proved they could mail statements in 5 days or less after the cycle closing date that the Honor Roll guide was set at 4 days. An additional 7 firms listed this month had records of 5 or less but more than 4 days.

HONOR ROLL

Company	Days	Company	Days
Rubenstein's	1.8	Macy's (NY)	4.0
Hink's	2.4	I. Magnin (SF)	4.0
Bullock & Jones	3.0	Montgomery Ward (Houston)	4.0
Sulka	3.0	Penney's (Oakland)	4.0
Hess's	3.0	Iver's	4.0
Oshman's	3.0	Maison Mendessolle	4.0
Levy Bros.	3.6	Routzahn's	4.0
Mervyn's	3.9		

CREDIT OFFICE RATING

Information From Reporters	APRIL-MAY 1977 No. of Reports	APRIL-MAY 1977 Days to Bill Average	APRIL-MAY 1977 Days to Bill Range	FEB-MARCH 1977 No. of Reports	FEB-MARCH 1977 Days to Bill Average	FEB-MARCH 1977 Days to Bill Range
B. Altman (NY)	1	6.0	6	--	--	--
Bloomingdale's (NY)	3	6.0	5-8	--	--	--
Brooks Bros. (NY)	2	6.5	6-7	--	--	--
Bullock's (LA)	2	6.5	6-7	2	7.0	6-8
Bullock's (N. Cal.)	9	4.8	3-6	8	5.5	3-7
Bullock & Jones (SF)	1	3.0	3	--	--	--
Capwell's (Oak.)	8	6.8	5-8	8	6.1	5-7
Emporium (SF)	5	5.8	5-7	3	5.7	5-6
Foley's (Houston)	1	9.0	9	--	--	--
Gump's (SF)	1	5.0	5	--	--	--
Hudson's (Detroit)	2	9.5	9-10	3	10.3	9-12
Joske's (Houston)	1	5.0	5	1	4.0	4
Liberty House (N. Cal.)	3	6.0	4-9	1	6.0	6
Livingston Bros. (SF)	1	6.0	6	3	6.0	5-7
Macy's (NY)	1	4.0	4	1	4.0	4
Macy's (N. Cal.)	10	6.4	6-7	10	6.8	6-8
I. Magnin (SF)	7	4.0	4	7	3.7	3-4
May Co. (LA)	1	5.0	5	2	5.5	4-7
Montgmery Ward (N. Cal.)	1	5.0	5	--	--	--
Montgmery Ward (Houston)	1	4.0	4	--	--	--
Neiman Marcus (Dallas)	2	7.5	7-8	--	--	--
Palais Royal (Houston)	1	6.0	6	--	--	--
Penney's (Oak.)	2	4.0	3-5	--	--	--
Penney's (LA)	2	5.5	5-6	--	--	--
Penney's (Chicago)	1	6.0	6	1	6.0	6
Roos/Atkin (NY)	2	6.0	5-7	3	4.0	3-5
Saks (NY)	1	8.0	8	1	8.0	8
Saks (SF)	1	15.0	15	1	12.0	12
Sears (Alhambra)	5	7.4	6-8	1	8.0	8
Sears (Detroit)	2	4.5	4-5	2	5.0	5
Shreve (SF)	1	7.0	7	2	8.0	7-9
Sulka (NY)	1	3.0	3	1	9.0	9
Tiffany (NY)	1	13.0	13	--	--	--
Winkleman (Detroit)	1	6.0	6	--	--	--
TOTAL	84	6.0	3-15	61	6.1	3-12

Information From Stores	APRIL-MAY 1977 No. of Reports	APRIL-MAY 1977 Days to Bill Average	APRIL-MAY 1977 Days to Bill Range	FEB-MARCH 1977 No. of Reports	FEB-MARCH 1977 Days to Bill Average	FEB-MARCH 1977 Days to Bill Range
Brock's (Bakersfield)	18	7.2	4-10	18	7.4	5-10
Hess's (Allentown)	4	3.0	3	8	3.3	3-4
Hink's (Berkeley)	20	2.4	2	--	--	--
Holman's (Pacific Grove)	10	5.6	3-7	10	7.5	6-9
Iver's (Los Angeles)	10	4.0	3-5	10	4.0	4
Levy Bros. (San Mateo)	16	3.6	3-4	16	3.8	3-5
Maison Mendessolle (SF)	2	4.0	3-4	2	3.5	3-4
Mervyn's (N. Cal.)	20	3.9	3-4	20	4.2	4-5
Oshman's (Houston)	10	3.0	2-4	8	3.0	3
Penn Traffic (Johnstown)	10	4.1	3-5	10	4.7	3-6
Routzahn's (Maryland)	1	4.0	4	1	4.0	[illegible]
Rubenstein's (Shreveport)	6	1.8	1-2	--	--	
Wineman's (Huntington Park)	7	7.9	6-9	8	7.5	6-10
TOTAL	134	4.3	1-10	111	5.1	3-10

WHY A CREDIT OFFICE RATING? The Unruh Act (in California) controlling revolving accounts went into effect about 1963 just as the Office of Consumer Counsel was created. Consumers were complaining that they received statements so late that they had an additional service charge before they could pay their bills. Consumer groups were proposing laws that would have been impossible to meet with equipment and procedures in major stores. The CREDIT OFFICE RATING was initiated to bring this problem to the attention of influential people within store management.

WHAT HAPPENED—THEN AND SINCE? Initially, I was criticized for publishing the data and especially for naming stores. Since then the reports have been accepted for their intended purpose and many stores have sought to attain the Honor Roll objective, established at the beginning at five working days between cycle closing and postmark date, and now reduced to four days because of the large number of stores that have attained five days. Many stores have reported pride—both to management and credit and data processing personnel—in being listed on the Honor Roll.

HOW IS TIME COMPUTED? We do NOT count the cycle closing date but do count the postmark date, and then deduct Sundays and those holidays observed by the preponderance of stores.

HOW ARE THE FIGURES COLLECTED? Volunteer reporters send in form postcards reporting their own bills showing store name, closing date and postmark date. On receipt of one report, another form is forwarded. YOU CAN VOLUNTEER TO SERVE AS A REPORTER.

START YOUR OWN REPORT. Every store should keep this data on every cycle and establish their own goals. Other geographic areas should start a similar report and I will be glad to assist any such group.

It is true that K-Mart was helped in attaining their $8 billion goal by the failure of Grant's—they picked up 150 existing buildings during the year (if these 150 locations in 1976 averaged less than $2.6 million for their partial year, then K-Mart would have hit their $8 billion without the extra locations).

When one considers the impact of 272 stores (more stores than are operated by any of their major competitors except Gibsons and Woolco) for a full year rather than a partial year, it is easy to predict that much of the progress toward $12 billion by January 1980 and $16 billion by January 1982 will have been accomplished.

K-Mart is now operating in 154 of the 270 Standard Metropolitan Statistical Areas—plus a growing number of smaller communities. There is room for K-Mart in both types of areas—increased pentration of many of the SMSAs and entry into small communities. In 1974 they started a prototype 40,000 square foot store (compared with their 100,000 [plus or minus] square foot stores in SMSAs) and they are now experimenting with 55,000, 65,000 and 71,000 square foot stores.

K-Mart continues to have a strong balance sheet with total liabilities continuing at slightly less than stockholders' equity and a current ratio of 2 to 1. With their stock selling at 4 times book value—reflecting their ability to earn more on total assets (11%) than most retailers earn on net worth (K-Mart earned 22% last year), they have ready access to the equity market to maintain their growth rate on a sound financial basis (see "TANDY PLAYS A DANGEROUS GAME" in this issue).

But let us return to the K-Mart goals. $12 billion by Janury 1980 means a compounded growth rate of 12.7%. They have increased sales from 21% to 25% every year during the past 10 years except for 19% in 1973 and 17% in 1969. To hit their goal of $18 million by January 1982 they need an overall growth rate of 13.8%.

Sears should still be ahead in 1982. If one projects the Sears volume at a growth rate of 9% to 10%, Sears will be doing $22-23 billion.

RThought: K-Mart once again proves the wisdom of doing something, doing it right, and concentrating on doing it. They haven't tried to get into catalog/showrooms, conventional department stores, baby stores, pants shops, drug stores, furniture warehouse stores, supermarkets or any of the "greener pastures on the other side of the fence" that have attracted so many other retailers—retailers who have not yet developed the "right" combination in their basic field.

THANKS TO ART KAISER

In the December 1976 RT under the heading "Should Retailers be Compelled to Aid Tax Fraud?" I reported legislation in California compelling larger retailers to provide customers with a statement of finance charges assessed (but not necessarily paid) during the prior year. This would put into the hands of customers a document they could use for tax deduction purposes that is an incorrect statement of the amount entitled to be deducted by the individual with an active account.

As a result of a challenge by a reader this point was amplified in the March 1977 RT.

This matter has now gotten into the hands of Art Kaiser, long-time consultant on credit matters to the California Retailers Association and to major retailers in California. He has undertaken correspondence with the Technical Services Branch of the Internal Revenue Service with the objective of bringing his expertise (particularly on Truth-in-Lending and related laws) to bear on the instruction for Form 1040 and the contents of the IRS Publication 545 "Income Tax Deduction for Interest Expenses." Involved in his proposal is the elimination of the artificial limit of interest to 6% on conditional sales contracts while allowing one to deduct the entire finance charge on revolving accounts.

This step has long been necessary—the IRS has totally disregarded the massive legislation in the consumer credit area, including a refusal to restate their sample conditional sales contract to conform with the T-in-L format.

If Art Kaiser is successful (and RT is rooting for him), your customers will benefit.

HOW ACCURATE ARE TRADE ASSOCIATION BULLETINS

The goal of most trade associations is to bring to the attention of their members a wide range of information that the members might otherwise miss while applying themselves to their primary task of running their business.

Unfortunately trade associations tend to provide inaccurate information because of the limited knowledge of the personnel in the association. It is obvious that trade associations with a limited staff cannot have, within the staff, expert knowledge in all fields. However, one would hope that on subjects such as taxation and federal legislation that they would check their news items with competent tax consultants or accountants on the former and legal counsel on the latter.

Let me cite an example from among several that have come to my attention. In the March 1977 issue of **Discount Data**, published by the National Mass Retailing Institute, there was the following item:

> **"* * * IRS Ruling Makes Travel Expenses Non-deductible . . ."**
>
> "A new Internal Revenue Service ruling will make travel expenses non-deductible, regardless of the nature of the work. The effective date of the ruling was postponed to April 1, 1977, after objections were voiced by business groups, including retailers. One area of conflict is that reimbursed expenses under the ruling would constitute taxable 'wages'."

That is frightening news. Just imagine—travel expenses to the NMRI Convention in Miami for hundreds of executives is about to become taxable wages! All of your buyers are going to have to pay income taxes on what you allow them on buying trips!

Fortunately the article is incorrect. Research Institute of America, Inc., in their "Tax Guide—Weekly Highlights" (a relatively inexpensive tax service) for February 17, contained an announcement which summarized the facts as follows:

"IRS has for the second time extended the effective date for the imposition of tough new rules that will (1) bar construction workers from deducting daily transportation expense between their residences and their temporary work locations; (2) limit deductions for local transportation of professional men and business executives; and (3) will require withholding for employees for amounts they receive for **nondeductible local and one-day travel expenses.**" (Emphasis added.)

RThought: It is hard to believe that both items came from the same facts. The IRS is attacking one of the age-old "loopholes" that benefit people with high incomes—providing company cars for commuting (non-taxable fringe) when the lowly sales clerk doesn't get a deduction for his commute costs. It is true that retailers might have objected to this but if NMRI was a party to the protest one would have expected them to be more familiar with the subject of the protest.

RThought: If you are a director of a trade association that publishes informational bulletins for association members you might review the manner in which the association determines the accuracy of the information being disseminated. One need only keep in mind the case of the unknown Texan charged with the murder of a stranger because he thought the stranger said "Truman was raised in Texas" when he actually said "Truman was raisin' taxes."

BANKER'S GALL

An Associated Press writer recently interviewed A. W. "Tom" Clausen, head of Bank of America, with particular emphasis on the coming checkless society (he says we will always be part cash, part paper) and the following exchange took place:

"Q. **Why do bankers have 'Bankers' hours?' Why can't I go to the bank like I go to a department store—weekends, holidays, evenings?**

A. We'll provide almost unlimited banking hours if there's a need. Generally, however, not enough customers use additional hours sufficiently to justify the expense of longer hours. . . . Where customers have demonstrated needs, we keep branches or drive-up or walk-up windows open. In the future, automated teller machines, already in place in some areas, will remain open 24 hours a day seven days a week."

RThought: The real reason that banks can keep "banker's hours" is that long ago they pushed off their check cashing responsibility on retailers—particularly the supermarket industry. (How often do you hear a shopper say "I am going to the bank to cash a check?") As a result of this clever scheme retailers carry extra cash, pay extra insurance, and have employees killed in holdups, while bankers go home early.

NAMES IN THE FTC

Trans World Accounts, Inc.: An administrative law judge has ruled that Trans World has used unfair and deceptive debt collection methods and issued an order to discontinue certain practices. Trans World provided debt collecting, personal contacts with debtors, and form notices and letters; and is reported to be one of the largest debt collection agencies in California contacting 130,000 debtors a year.

The unfair and deceptive practices were:

1. Misrepresented that envelopes and forms were telegraphic communications thus misleading the debtor as to the import and urgency.
2. Misrepresented that legal action may or is about to be instituted when this rarely happened.

The administrative law judge commented on the use of a "Trans-O-Gram" to replace the document marked "TELEGRAM" and indicated that though the form was not before him, he considered that it "has the tendency and capacity to mislead recipients."

RThought: This might be a good time to review all of your own collection documents to insure that aggressive and enthusiastic employees (the kind you want) haven't become more aggressive than the law permits.

IS YOUR CREDIT OFFICE SET UP TO WORK WITH CREDIT UNIONS?

It should be.

As of the end of February (latest figures), credit unions showed the greatest increase in outstanding installment receivables of any type of consumer lender—up 20% from the prior February as compared with a 9% increase for commerical banks, finance companies, and retailers. At the present rate of growth, credit unions will, within 3 or 4 years, pass finance companies and will then be second only to banks as providers of consumer installment credit. But banks will still provide more than twice as much credit.

Credit unions are attractive on larger purchases (cars, furniture, appliances— because their finance charges generally run from ¾ of 1% to 1% per month on the unpaid balance—below the charge made by most retailers.

RThought: Many of the larger credit unions have periodicals or bulletins that go to their members. Retailers interested in getting the business of members might well advertise that they are prepared to coordinate with the credit union.

SHORT SHORTS

Expense savings at major corporations—passing RT around. The subscription list to RT has been developed by sending sample issues to key retail executives that are selected by me. They are the kind of executive for whom RT is written. Periodically I receive a note such as the following from a major officer of one of the 10 largest retailers in the United States, "Bob— I still read ________________'s (The Chairman of the Board) copy."

What does NMRI have to hide? With the change in management at the National Mass Retailing Institute (NMRI) there has been a change in attitude that makes one in the (very) independent press wonder. The press is now welcome at the NMRI annual meeting if (1) the publication is a member of NMRI or (2) they pay the standard registration fee for a non-member. RT did not attend the 1977 Annual Meeting of NMRI and will not attend any meeting under such conditions.

WORDS TO MANAGE BY

403 years ago, Serjeant Plowden clearly set forth the distinction between the letter of the law and the spirit of the law. Chief Executive Officers such as Mr. Haughton of Lockheed, and others, never understood this simple statement:

> "Our Law, like all others, consists of two parts, viz., of body and of soul. The letter of the Law is the body of the Law, and the sense and reason of it is the soul, 'quia ratio legis est anima legis.' And the Law may be resembled to a nut, which has a shell, and a kernel within; the letter of the Law represents the shell, and the sense of it the kernel. So you will receive no benefit by the Law if you rely only upon the letter."

BITS AND PIECES

If you think your telephone charges are high, how about a $1 billion overcharge? That's what a competitor of New York Telephone (during a news conference on rate increase request) charged. Stanley Ringel, president, New York State Interconnect Association, says overcharging state residential and business consumers was aimed at supporting a price war to destroy Bell rivals. He said, "In the past seven years, more than $1 billion in overcharges...support predatory pricing." Ringel claimed AT&T operating companies are under pressure to step up profits for a national price war and major lobbying efforts......

Fun computer shortage

Those do-it-yourself, build-it-at-home computers-for-fun (now retailing between $400 and $15,000) are about to experience a shortage. At least that's the opinion of Pertec Computer, which markets a do-it-yourself line under the Altair name. Pertec says the shortage is coming because the market is about to experience its first burst of growth and national attention......

More fax facts

According to Graphic Sciences, Inc., a Burroughs subsidiary, facsimile will be in most offices during the next few years. However, Graphic Sciences quotes a Quantum Science Corp. study that says shipments are expected to reach $700 million by 1980, not exactly a huge market figure......

Some wp info

In response to an earlier newsletter item about an Alltech Business Automation booklet on word processing equipment, Dave Strom, president, Information Management Corp., wrote with a copy of an "Instructors Guide," that IMC publishes. The guide, designed primarily to accompany a series of 10 wp films produced by IMC, is a rather complete primer on wp. In addition to a basic description of wp it has a glossary and list of resource information. The 45-page booklet, costs $7.50 plus $1.50 if payment doesn't accompany the order, is available from: Information Management Corp., P.O. Box 2076, Green Bay, Wis. 54306......

Workers shop home

One of the more unexpected results of women entering the work force, at least according to Maxwell Sroge Co., a Chicago firm keeping tabs on the mail order business, is that it is increasing mail order business. According to the American Management Society those women entering the work force are having problems, particularly young marrieds coping with dual roles. Pressures connected with home responsibility and career goals are precipitating job changes. AMS advises employers to ask three questions before hiring young wives: 1) is this person committed to long-term employment; 2) will they stay long enough to justify hiring and training costs; 3) what can you do to insure they will stay?

so for the business. We recently came across a booklet--from Kemper Insurance--that outlines the basic coverages a businessman should consider, advises how to analyze exposure, describes how to read a policy and offers a brief description of coverages. We would never advise substituting a booklet for advice from agents, but particularly since it is free, it is worth obtaining a copy. Write for, Businessowners' Guide To Insurance, Kemper Insurance Companies, Long Grove, Ill. 60049 (312-540-2000).

THE RIP OFF IS BIGGER THAN THAT

So you're like most employers and think your loss to pilferage and employee theft is between two and four percent of gross and is caused by something less than two percent of your employees. It isn't if you believe the results of a survey by the School of Business, University of Indiana that concentrated on employee theft at smaller stores.

No crime to steal

That study said that 69 percent of the employees felt that taking something with a value under $1 was not stealing! Among those who admitted stealing only 41 percent felt the employee should be punished or made to pay for the stolen items. Only 47 percent of those who denied stealing voiced a similar sentiment. Only 24 and 18 percent, respectively, felt the employee should be prosecuted and/or fired!

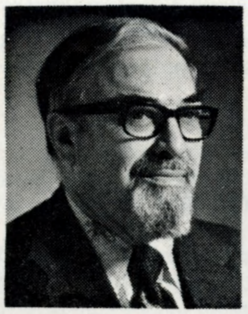
No punishment either

Those feelings are not hard to understand because we've come to a point where people don't recognize what is and is not theirs. For example, an East Coast bank lost $87,000 to a clerk embezzler. Her defense in court: she needed it and didn't, despite the fact that she purchased a motor home and some other baubles, use it for her own gain. Her punishment: working six hours per week for six months at a hospital. Crime doesn't pay? How is the bank going to convince other employees they shouldn't take money?

Pur ul 7/77 RT

Where to look

The study from the University of Indiana was printed in the December 1976 issue of Business Horizons, School of Business, University of Indiana, Bloomington, IN 47401. The capsuled version we printed above came from Retailing Today, a newsletter we've often recommended to our readers, published by Robert Kahn and Associates, P.O. Box 343, Lafayette, CA 94549.



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Correction by NMRI

RT is advised that the misstatement of the new IRS rules on deductibility of travel expenses which appeared in the March 1977 issue of Discount Data was corrected in the April 1977 issue. It was during May that RT received the March issue with another mailing and there was no indication that it contained a major misstatement.

DANGEROUS CONSUMER PRODUCTS

The Consumer Product Safety Commission (CPSC) has established two priority lists of products that they will be reviewing. They considered many factors including frequency and severity of accidents, causes of injuries, development of chronic illness and vulnerability of the population at risk in arriving at these lists.

The 30 high priority products include (with their ranking):

2. Power mowers
3. Gas space heaters
4. Communication antennae (for CB radio)
6. Chlorofluorocarbons (labelling and banning of aerosol products)
9. Lead in paint
10. Baby pacifiers
11. Baby rattles
12. Sharp points in toys
16. Children's sleepwear enforcement policy
17. Miniature Christmas tree lights
18. TV sets
20. Ranges and ovens
21. Skateboards
22. Extension cords and trouble lights
23. Bicycles
25. Ladders
28. Smoke detectors
29. Children's football helmets

The 17 medium priority products include:

1. Portable power saws
2. Chain saws
4. Power drills
6. Household chemicals/drain cleaners (Consider ban on those containing sulphuric acid)
14. Skiing equipment
15. New test for flammability
16. Revise regulations on guarantees of flammable products

A MATTER OF ETHICS

Do you help people cheat on their income tax?

Before you answer "No" – stop and think for a while.

Do you have a cosmetic department? Do the manufacturers make payments directly to your employees?

It is a shame that the cosmetic departments in many department stores are the center of a massive and concerted program to cheat a number of agencies out of their money.

The people employed by you in your cosmetic department are your employees. They sell cosmetics for you. They are not employees of the cosmetic companies and therefore the cosmetic companies do not deduct for withholding, social security, unemployment insurance and state or local withholding taxes. They may or may not send an information report at the end of the year (they are only required to do so if the amount paid is over $600 for the year). The IRS has publicly stated that they are not yet able to match Form 1099 information returns with tax returns.

The chances are very good that your employees are not reporting this income on their tax return – because you have cooperated with them in a scheme to defeat the laws of the United States and your State.

If you say this is none of your business, think for a moment.

As their employer you are liable for withholding taxes and social security payments from their pay and for paying your half of the social security obligation. If caught by the IRS you will be liable for the total amount due even if the employee properly reported the income and paid income tax.

In addition you might check your liability to the State for not deducting withholding tax on income, unemployment insurance, disability insurance and other mandatory deductions.

You are under-reporting your obligation on Workmen's Compensation and you are underpaying for overtime.

In fact, you are being the perfect example of a dishonest business executive. Your employees who know this may say "He chisels on all the governments, why shouldn't I chisel on him and steal from him?

ANOTHER POLICY STATEMENT BANNING SUPPORT OF CLUBS THAT DISCRIMINATE

Bank of America, as is appropriate for the largest bank in the United States (a responsibility that neither Sears nor Federated have yet assumed in the retail field), set the first policy withdrawing the support of BofA from organizations that discriminate on the basis of sex, race, religion or country of origin. (See "DO YOU SUPPORT BIGOTRY?" RT Feb 77).

Now comes Seattle-First National Bank, more popularly known as SeaFirst with a policy that covers three main points:

1. Bank sponsored meetings will not be held in any setting where any person cannot attend because of discriminatory bylaws.
2. After December 31, 1979, the bank will cease reimbursement or payment of dues and/or expenses for those organizations which maintain discriminatory bylaws.
3. Until December 31, 1979, bank personnel belonging to organizations who have their initiation fees, dues, and/or expenses paid or reimbursed by the bank must take appropriate positive personal action to effect the elimination of discriminatory policies in the organizations concerned and report annually to their supervisors.

This will bring the reimbursement policy of SeaFirst in line with their personnel and lending policies. Said Chairman William M. Jenkins, "In no way does the corporation wish to restrict the right of individual choice in personal and social activities ... this policy is not intended to impinge upon the personal involvement with any organization. This policy relates only where fees, dues, and expenses are borne by SeaFirst."

RThought: The move by SeaFirst to get their executives to bring about change is a good addition to the Bank of America policy.

But retailers have a simple guide-line for places and organizations they will support by reimbursement or direct payment – only those organizations which would admit all of the customers that the retailer serves!

HOW ACCURATE ARE TRADE ASSOCIATION BULLETINS (Revisited)

RT dealt with this subject in the July 1977 issue under the same title and was critical about the inaccuracy of a bulletin from the National Mass Retailing Institute (See correction – Page 1, this issue).

RT is pleased to comment on a bulletin from Harry Hunter, Executive Director of the National Association of Convenience Stores (NACS) based on a summary of the tax law by NACS legal counsel, Collier, Shannon, Rill, Edward and Scott. NACS will have their 1977 annual meeting in Toronto, Canada and accurately advised the attending members that in order to deduct allowed expenses they would have to attend two-thirds of the day's scheduled activities or 4 hours. The maximum daily allowance in Toronto, based on that allowed Department of State employees, is $46 and only coach or economy air fare or auto expense not exceed 15½¢ a mile (but not more than coach air fare) can be deducted.

The attendee will have to report the total number of days of the trip, the hours each day devoted to business activities, retain a copy of the convention program and provide a statement by an officer of NACS attesting to the attendance!

RThought: NACS probably planned their Toronto meeting before the law changed – but they acted properly in checking the tax advice before disseminating it.

CONVERSION TO THE METRIC SYSTEM

It is too bad that our early Congresses did not have the wisdom of our Founding Fathers who wrote the Declaration of Independence and the Constitution.

The metric system was brought before our Congress in 1790 by Thomas Jefferson, then Secretary of State during George Washington's first term. It was also introduced at the same time in the British House of Commons and in the French National Assembly. France adopted the plan in 1793 and it was implemented before the end of the 19th Century, with alternate systems prohibited after January 1, 1840.

Belguim, Holland and Greece were the first countries to follow France and by 1900 the metric system had been adopted by 40 nations and had become the accepted system in many fields of science.

In 1821 John Quincy Adams requested that the United States study the mertis of the system. This was the same year that France sent to the United States an official kilogram certified to be accurate within 1 milligram of the official unit in France (an error of less than 1 part in 1 million!) plus an official meter.

Despite the advantages of the metric system and the fact that most of the world has voted against the illogical systems used in the United States, the United States persists in its position that we can do no wrong and that our system must remain (inches, feet, yards, furlough, miles; ounces, pounds, tons; cups, pints, quarts, gallons).

The American people have even been subjected to the stupidity of the United Press News Service in giving national distribution to the charges by the director of the National Cowboy Hall of Fame and Western Heritage Center that "Metric is definitely Communist!"

Australia had all the hangups that the United States has – but they showed a greater willingness to admit they were wrong. They recognized that over 90% of the world's population were using the metric system or converting to it. So they started in the early 1970s – and are well along the way on 150 conversion programs (all completed or well under way) scheduled over a 10 year period. Money was one of the early ones – switching from pence, shilling, pounds to cents and dollars. For example, by the end of 1976 they had converted all of their gasoline pumps from gallons to liters. About 90% of real estate advertising is in metric measurements.

Conversion of scales in retail establishments is well along.

Schools have almost completely converted – except for the problem of some important textbooks from – guess? – the United States!

RThought: Is one to conclude that inertia in the United States is so great – and the ability of our citizens to learn so small – that we are incapable of making this change? It just might be. It just might be. And yet we expect to be a world leader?

SHOULD YOU EXPOSE YOUR CUSTOMER TO THE ENCYCLOPAEDIA BRITANNICA?

Everywhere I turn I find the Encyclopaedia Britannica (EB) offering me "a substantial GROUP DISCOUNT" – mainly through inserts to retail store statements but also in magazines published by organizations.

Nobody can tell me just how much discount I will get. The advertisement does not show the regular price. When I am contacted by telephone they will not give me that information. The brochure sent to me does not give that information.

Right now EB is appealing in the courts a decision of the Federal Trade Commission that clearly sets forth that EB is still doing everything to get their foot inside the door of your customers. EB, according to the FTC, will put such extreme emotional and social pressure on your customers that a significant number of them will succumb.

To give you an idea of just what the FTC feels has to be done to protect your customers from EB's efforts, let me cite a few sections of Final Order on Docket No. 8908 issued March 9, 1976, and that was to have become effective 60 days later if not appealed to the courts.

EB was ordered to stop using material that indicates that they are conducting a contest, drawing or sweepstakes or other efforts to obtain leads unless the advertisement discloses in 10-point, bold-face type:

> NOTICE TO CONSUMER: PERSONS WHO REPLY AS REQUESTED MAY BE CONTACTED BY A SALESPERSON FOR THE PURPOSE OF SELLING ENCYCLOPAEDIA BRITTANICA.

As to return cards, they must provide in immediate proximity to the space provided for a signature or other identification of the person responding, in 10-point, bold-face type:

> NOTICE TO CONSUMER – PERSONS WHO RETURN THIS (insert name of applicable device) MAY BE CONTACTED BY A SALESPERSON FOR THE PURPOSE OF SELLING ENCYCLOPAEDIA BRITTANICA.

EB must clearly disclose the purpose of all telephone calls. Recently, when I submitted a coupon to check the system again, my secretary received a phone call with no identification made. The sum and substance of the message was that it was important that I call a person at a telephone number 25 miles away. I was told I could call collect!!!

Finally, if the EB salesman does appear at the customer's door the FTC would require them to present – before doing anything else – a 3x5 card with the following information on it in 10-point, bold-face type – in the order shown, **and without any other printing on the card.**

1. the name of the corporation;
2. the name of the salesman;
3. The term "ENCYCLOPAEDIA SALES REPRESENTATIVE" (or other applicable product);
4. the terminology "THE PURPOSE OF THIS REPRESENTATIVE'S CALL IS TO SOLICIT THE SALE OF ENCYCLOPEDIAS" (or other applicable product).

The salesman must present the card to each person, direct the person to read the card and provide an adequate opportunity for the person to read the card before engaging such person in any sales solicitation.

And, finally, EB is told not to represent, directly or by implication, either orally or in writing, that the person calling is involved in anything other than selling encyclopedias – no surveys, no suggestion of lower price if the customers name can be used with neighbors, no-nothing.

And no representation can be made of the regular price (Note: RT has never been able to find the "regular price" with substantiation that a significant number of sales have been made at the quoted price) unless "respondent is making a substantial number of its unit sales for each such publication in each such binding, merchandise or service, individually, at or above the represented price."

Proof of prices quoted must be maintained for 3 years. Each contract must contain a statement in 12-point (even larger!) bold-face type as follows:

> PRICE LIST
> THE FOLLOWING PRICES ARE THE ONLY AUTHORIZED PRICES AT WHICH THE LISTED ITEMS MAY BE OFFERED.
> ANY PRICE NOT LISTED BELOW IS UNAUTHORIZED AND FALSE!
>
> FREE ITEMS
> ONLY THE FOLLOWING PRODUCTS AND SERVICES MAY BE OFFERED FREE. YOU ARE PAYING FOR ANY ITEMS RECEIVED AND NOT LISTED BELOW!

RThought: If you are looking for a few additional bucks by inserting EB (or any encyclopedia) coupons in your charge account mailing, first have a trusted middle-income employee fill in a card and mail it. Then wait for a report on what happens. Then make up your mind if you really think that an ethical, honest retailer should subject his customers to that type of solicitation for the few dollars he gets. If you need money that badly why not sell your mailing list to Playboy or Hustler? They might pay even more.

I don't know the outcome of the appeal by EB against the FTC order – but the FTC felt there was sufficient evidence on the manner in which EB develops sales to warrant a very strong action to protect your customers. EB strongly objects to many of the conditions as being unreasonable or beyond the authority of the FTC – and once again they plead, as they have in the past, that such practices no longer exist and/or they should not/cannot be held responsible for all the statements made or alleged to have been made by their thousands of salesmen (although EB trains them to make presentations using exact wording) in many thousands of homes.

Your first obligation is to your customers.

DO THE ACCOUNTING FIRMS REALLY UNDERSTAND THE GAME?

The American Institute of Certified Public Accountants and a number of writers in the accounting field are up in arms about the efforts of the Internal Revenue Service to obtain working papers used by the certifying accountants to determine the correctness of tax accruals reported on published financial statements.

AICPA, in a letter to the Commissioner of Internal Revenue, closed with the following statement:

> "The public interest demands that freedom of communication between auditor and client remain unimpaired - not for the benefit of the company or its auditors, but for the benefit of those in the economy who must have accurate and dependable information. It is absolutely essential that the auditor have complete and full access to the client's financial statements. Obviously this will include complete information with respect to the provision for income taxes. If the IRS were granted free and unfettered access to the working papers, the client's willingness to deal with the auditor completely and frankly would be seriously and irreparably undermined.
>
> "This breakdown in communications inevitably would result in a substantial number of CPA's opinions being qualified as to scope, a result unacceptable to the SEC and clearly contrary to the public interest." (Emphasis added)

What the AICPA is apparently saying is that clients disclose to their CPA how they chisel on income tax and if the CPA is required to turn over his working papers this method of chiseling will be disclosed. The CPA knows what the client is doing but for some reason feels that he should not be required to disclose this information despite the fact that no law or constitutional provision protects the CPA-client relationship as it does the attorney-client or priest/minister-supplicant relationship.

If the CPA does not have protection so that he won't have to disclose the misdeeds, then the firms say they will not tell the CPA what the CPA has to know. If the CPA doesn't know, he will have to issue a qualified opinion.

This distorts the CPAs responsibility.

He is supposed to represent the stockholders. If the CPA doesn't get the necessary information, he won't give an unqualified opinion. If that happens the stockholders may dismiss the uncooperative management. Or even worse, they might sell their stock. Then the price of the stock will fall and the options, phantom stock, performance units, etc., held by management will become worthless.

the AICPA argues that it would be a violation of "The Code of Professional Conduct" for an AICPA member to breach the confidential relationship with a client without the client's permission. What does the Code say about responsibility to stockholders? CPAs promised Congress in the 1930s that they would protect stockholders.

But the AICPA assumes that management rather than the stockholders is the client. Perhaps that is because CPAs are wined and dined by management when the management wants a certain result in the audit; no stockholder ever shows up with an invitation. Maybe it is because CPAs confuse who pays their fee with who they are supposed to be serving.

As I understand the law ...

1. CPAs have no special relationship with their client.
2. Large partnerships and professional corporations have no 5th Amendment rights against self-incrimination.
3. The working papers do not relate to the actions of the CPA and therefore there is no major defense against disclosure on the basis of the privacy of the accounting partnership/corporation.

RThought: The accounting profession is going to continue to have problems and the public (and Congress) is going to demand legislative control over the profession unless the firms that audit publicly owned corporations can clearly understand that their client is the stockholders – not the officers of the corporation. That is the heart of public uproar about the accounting profession – and the AICPA apparently doesn't understand that.

A VISA IN SEAR'S FUTURE?

That is the prospect raised by Spencer Nilson in his July 1977 Nilson Report (Box 49936, Los Angeles, CA 90049, $125/yr. and well worth it to every firm involved in credit cards).

Nilson reports that VISA is attacking Master Charge "with strokes swift and sure, calculated to shorten the life of the enemy camp at Interbank" by making available the VISA credit authorization and check guarantee service to Master Charge banks.

But most important is the move to allow **qualified merchants** to issue VISA cards – along with the present list of banks, savings and loan associations and credit unions.

SHORT SHORTS

It is SIR **Kenneth V. Larkin**, recently invested as a Knight of Malta of the Holy Roman Church. Ken, as a Senior Vice President of Bank of America and advisor on ethical conduct to banks, finance companies and others who are in consumer lending, certainly merits this honor. And the picture of the investiture shows him giving a bit of advice to Archduke Robert von Hapsburg and Ambassador Henry A. J. Ralph.

Blackout lights and phones? That's what happened to Shopwell Supermarkets during the July 13th power failure in New York City. Their telephone system is centralized in their computer and it went down with the power failure.

WORDS TO MANAGE BY

An RT reader sent in the following quotation clipped several decades ago from a **Rotary (Club) Bulletin**. Time has not diminished the wisdom of the words:

> The most lovable quality that any human being can possess is tolerance. It is the vision that enables one to see things from another's viewpoint.
>
> It is the generosity that concedes to others the right to their own opinions and their own peculiarities.
>
> It is the bigness that enables us to let people be happy in their own way instead of in our way.

RT always welcomes the favorite words and thoughts of readers – those statements that you thought enough about to clip and put in your wallet or on your wall or under the glass on your desk (do people still use glass desk tops?)

WHAT IS HAPPENING TO OUR STANDARDS?

The end of July and the first week of August were despairing times for a man concerned about ethical standards in the United States. It seems that no one practices ethics any more.

A Tax Court Memo (1977-140) was handed down finding the United States Steel Corporation (USS) guilty of illegally moving more than $27 million of income outside the tax laws of the United States in a massive scheme that started in 1953 when USS created a Nassau subsidiary shipping company. The subsidiary charged excessive transportation rates on cheap iron ore from Venezuela so that the profit showed up where there was no income tax liability. The law requires **that the inter-company charges be reasonable.** "Reasonable costs" for shipping can be determined very simply by asking a shipping company.

A few days later the Wall Street Journal carried the story of the Revco D.S. Inc. "no contest" plea in a case involving false billing to the State of Ohio for $521,000 for Medicaid prescriptions. Two employees, one of whom was a vice president, were distressed with the delays in payment by Ohio and the return of claims for proper authentication. In order to collect what they thought belonged to the Company, they prepared false claims – 208,000 over a period of 4½ years – almost 4,000 a month. Sidney Dworkin, Revco President, in reporting the facts to his stockholders said that "It is important to point out that the State's investigation and the separate investigation of Peat Marwick Mitchell did not find one incident of wrongdoing for personal profit by any Revco employee."

What can one find good in doing something that is illegal against the government? Does the fact that the illegal action was taken for the benefit of "the company" make it any less illegal?

Certainly many employees other than the two who also pleaded "no contest" must have known that dishonest documents were being filed. They apparently felt that they had no obligation to say anything about it.

Then came the report that the CIA had, for a period of 13 years, sponsored 149 projects involving drugs, hypnosis, shock harassment and experiments on controlling the human mind, including giving LSD and other drugs to unsuspecting individuals. This included running two whore houses as a means of getting people to whom drugs were given without their knowledge.

The experiments were conducted through 44 colleges or universities, 15 research foundations or chemical and pharmaceutical companies, 12 hospitals or clinics and 3 penal institutions.

Much of the work was done by medical doctors – all of whom, at some time, subscribed to the Hippocratic Oath – an oath set forth almost 2500 years ago and an Oath that is supposed to lead doctors of medicine to follow a standard above all other standards.

Consider these portions of the Oath: "... I will use treatment to help the sick according to my ability and judgment, **but never with a view to injury or wrongdoing.** I will keep pure and holy both my life and my art. In whatsoever houses I enter, I will enter to help the sick, and **I will abstain from all intentional wrongdoing and harm** ... Now if I carry out this oath, and break it not, may I gain forever reputation among all men for my life and for my art; **but if I transgress it and forswear myself, may the opposite befall me.**" (Emphasis added).

But the opposite will not befall the doctors that took part nor even the institutions that employed the doctors because CIA Director Stansfield Turner, continuing the coverup practice of his predecessors, no matter how horrible the wrong committed, refused to name the individuals or institutions. He said "Most of the people and institutions involved were not aware of agency sponsorship. We should certainly assume that the researchers and institutions which cooperated with the CIA on a witting basis acted in good faith and in the belief that they were aiding their government in a legitimate and proper purpose. I believe we all have a moral obligation to these researchers and institutions to protect them from any unjustified embarrassment or damage to their reputations which revelation of their identities might bring."

But that is just the damage and revelation that Hippocrates set forth – for those doctors participated in "intentional wrongdoing and harm" in violation of their sacred oath.

On August 1st a reader sent a copy of a long article from the **Texas Monthly** entitled "Diamonds Aren't Forever" which set forth the story of the problems at Zale Corporation. This was followed by the lengthy Wall Street Journal article on the same subject appearing August 2nd.

Many of the facts are yet to be determined – but there was direct testimony by two employees that again goes to the defense that stealing from the government is OK but not from the Company or for one's self. Sol Shearn Rovinsky, the Treasurer and Chief Financial Officer of Zale's set up a scheme for "misallocation" results among their 1600 subsidiary corporations which resulted in a total tax saving of $8 million. Rovinsky's two assistants, Joe Underwood and Ronnie Hickerson, admitted participating in the "misallocation" but said that they did not report this dishonesty to Donald Zale, the President, or Ben Lipshy, the Chairman, because "that was Shearn's job!"

It was OK with Underwood and Hickerson if Rovinsky did the United States government out of $8 million – but when they found a $10,000 entry that seemed to indicate that Rovinsky had taken money for himself from the Company, and Rovinsky cound not adequately explain the check, they reported the matter to Donald Zale.

Like Revco – middle management apparently condones stealing from the government for the Company but not stealing from the Company for one's own benefit. Somehow stealing changes its nature depending upon who is put upon.

Certainly this is exactly the same type of thinking that leads people to condone the looting that took place in New York during the blackout on the theory that society/business/government/life had been unfair to the looters. They forget that most of the people in New York to whom society/business/government/life has been unfair did **not loot.**

And, finally came the admission that the National Office of the American Civil Liberties Union had cooperated with the FBI and provided confidential information on members, directors and officers in an attempt, during the days of McCarthy, to keep ACLU from being classed as a Communist-controlled or Communist-dominated organization. Civil Liberties are OK – except when they affect "the Company," as one might classify ACLU. In which case the individuals are sacrificed.

RThought: All of this came against a background of reports that more than 100 past and present members of Congress, probably more than half Democrats, received questionable payments from Tongsun Park as an agent of the Korean government – and Congress, which had the guts to start impeachment against a Republican President, doesn't have the guts to investigate it's own major corruption.

But all of this makes me question whether or not my efforts to raise the standards of ethics in business are futile. It seems that new exposures come faster than old situations can be analysed.

In talking with someone active in a retail association about an area of conduct that should be exposed and discussed so that better standards might be developed than those now practiced, he pointed out that trade associations exist to provide members with what they want. What members want is ways and means of making more money – and not discussions of ethical conduct.

Unfortunately, he may be right.

The only thing that mitigates against his view is the thousands – perhaps hundreds of thousands of retailers who try every day to live an honest and honorable life. These are the retailers who would never think of letting cosmetic payments go direct to employees (see box "A Matter of Ethics," this issue). They are the retailers who, when merchandise has not moved after 3 months, swallow their mistake rather than suddenly discover that the colors are not as represented in the sample and try to return the merchandise. These are the retailers who, when the prime interest rate was 12%, paid their bills on the 10th of the month if they were taking the discount – and did not take the discount if they paid late. These are the retailers who bill their co-op advertising at the rate the paper actually charged them. These are the retailers who do not charge personal expenses to the business. These are the retailers who correctly report their values for property tax purposes, unfair as the property tax might be.

But those stories don't make headlines.

And those people seldom speak out.

But they are with us – and I hope they remain proud of their standards and continue to observe them. They are the ones who might sometime, by their acts, convince a young person just entering business that the name of the game is not cheating and chiseling and stealing – from the government, if not the company. We need all of you we can find.

SHORT SHORTS

The message from the movie "Stop Her" which is being shown to all of the employees of Marks & Spencer is that stealing from the company is illegal and anyone who is caught will be arrested, taken to a police station, put in a cell while his or her family is contacted for bail, fingerprinted, photographed, prosecuted, and probably convicted, followed by a report and picture in the local paper, an ineradicable criminal record and the sack! More than 80 British companies are also showing this film.

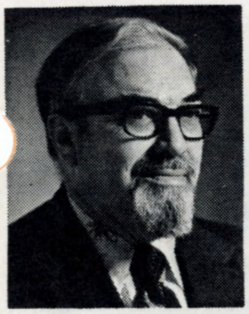
How far will Gucci's no refund policy take him? To the point of opening The Galleria in his Beverly Hills store with $11,000 handbags, $8,000 cigarette cases and $4,000 lizzard luggage. according to New West magazine.

Two more retailers refund stolen credit balances – Federated and City Stores – under a consent order signed with the FTC. Federated indicated that refunds will be "minimal" because they had already altered their practices (perhaps as a result of reading RT?). RThought: Was it a coincidence that a week later Moody's Investors Service boosted the rating on two series of Federated Debentures from AA to AAA?

Allied Stores to honor travel credit cards? American Express announces Joske's and Titche's signed up.

Honor among Federated divisions. When Bloomingdale's got the former R. H. Stearns location in the Chestnut Hill Shopping Mall near Boston, putting them in competition with Filene's, another division of Federated, **Women's Wear Daily** asked Edward Goodman, retired President of A&S, a third Federated division, if he wasn't surprised at breaching the agreement not to compete. He replied "Federated Stores have violated agreements like that in the past and I'm sure they'll continue to do so in the future." Is the message now "even agreements within our own firm are not to be honored?"

"We needed the (option) plan to retain the present management team" said Robert McClaughlin of Fibreboard Corp. when stockholders voted down the plan. The management team was running a company on the verge of bankruptcy and which had paid no dividends for 2 years, and whose auditors had qualified the annual report because they were unable to determine the potential liability involved in 69 lawsuits charging price fixing and violation of federal anti-trust laws. They must have had a great management team.



RETAILING TODAY

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HOW GOOD ARE SALES PROJECTIONS FOR NEW STORES?

If one follows the literature on store location studies, one concludes that this has become an exact science. RT wonders if this is true.

Just recently the Famous-Barr, a division of May Department Stores, opened a 140,000 square foot store in the White Oaks Mall in Springfield, Illinois, a hundred miles away from St. Louis where the people know them. Richard L. Battram, President of F-B, was quoted by Women's Wear Daily as saying "Close to $100 a square foot" would be a "reasonable expectation" for the first year!

About the same time Women's Wear Daily reported the sales of department stores in the Los Angeles area, giving volume estimates by store for May Co., The Broadway, Robinson's and Bullock's. Both May Department Stores and Federated Department Stores give individual store size in their annual report; Carter-Hawley-Hale and Associated do not (they should).

RT established a hypothesis. If branch store volume can be accurately estimated then this effort would certainly be applied in the Los Angeles area where competition is very great. If profits depend upon building the right size store for the expected volume, then one would expect over the years to see the sales per square foot obtained from new branch stores constantly rising.

It is recognized that the reported branch store volumes obtained by Fairchild may be wrong, but inasmuch as branch volumes were published to the closest $100,000, Fairchild must have been satisfied that their figures were reasonably accurate.

Bullock's has 12 branches (excluding Downtown Bullock's and the 3 Bullock-Wilshire stores). One was open only part of a year. Grouping the stores into sets of 3, and determining the combined sales per square foot, we get the following figures:

First 3 stores (1947-58)	$81/square foot
Second 3 stores (1962-66)	$89/square foot
Third 3 stores (1968-73)	$82/square foot
Last 2 stores (1975)	$70/square foot

This certainly does not indicate a trend supporting the theory that stores are being more accurately sized for the expected volume.

May Company has 24 branches which were grouped into 4 groups of 5 stores with a final group of 4 stores. The composite figures show the following:

First 5 stores	$56/square foot
Second 5 stores	$70/square foot
Third 5 stores	$63/square foot
Fourth 5 stores	$68/square foot
Last 4 stores	$72/square foot

Again, this hardly confirms the hypothesis that sales volume is being predicted sufficiently accurately to improve productivity per square foot and thus improve profits.

Over a period of years May Company built 6 stores ranging in size from 248,000 to 251,000 square feet (Buena Vista, Topanga Plaza, West Los Angeles, Whittier, Cost Mesa and Arcadia). Today the sales per square foot range from a high of $100 at Costa Mesa to a low of $44 at Whittier.

Later the standard store size was cut to approximately 150,000 square feet and 8 stores have been built (Montclair, Carlsbad, Oxnard, Riverside, Eagle Rock, The City, Westminster and Fox Hills) with sales per square foot now ranging from $84 in Westminster to $47 in Riverside.

SHOULD YOU HELP STOP PETTY THEFT?

An RT reader from a company in the $5-$10 million range wrote that 2 or 3 times a week (perhaps there are more that he does not see) his firm receives payments on charge accounts enclosed in corporate envelopes with postage from the corporate postal meter. In the sample that accompanied his letter, the employer of the person making the payment is a major bank.

The typing on the envelope is that of an IBM executive which suggests that in addition to helping herself (the account is in a woman's name) to an envelope, 13¢ postage and a yellow second sheet wrapped around the statement header and check, all the work may have been done on company time.

This also raises the possibility that our reader may not be the only creditor of this individual who is receiving payments in a bank envelope, with bank postage and with payment handled on bank time.

This may be petty stuff—but when one person does it, others may feel they should be able to do the same thing. This may be happening in your own stores. Would you want someone to tell you? Should you do anything at all?

RT would be interested in any thoughts about this practice.

RThought: We have a long way to go in building more profitable (greater sales per square foot) stores. It looks like standard size stores are more attractive than profitable stores.

RThought: Based on the above analysis, and recognizing what Federated learned when they opened a Lazarus store more than 100 miles away, RT would be very surprised if Famous-Barr hit the "reasonable expectation" of $100 a square foot for the first year in Springfield.

A SUCCESSFUL HOME STUDY PROGRAM

For years Cornell University has conducted a home study program for the supermarket industry. During 1976, 8,759 students were enrolled of which 6,804 came from the 31 companies listed below.

In addition to helping the students in their careers in supermarketing, many colleges and universities give credit for the courses toward a degree–a definite stimulus to continuing one's education. In many cases, successful completion of the home instruction proves to the student that he is capable of doing college-level work.

Such a program requires cooperation between the educational institution and the industry, active support by the leading firms in the industry, and a good quality program. In looking at the list below one sees that even the largest supermarket chains–Safeway, A&P and Kroger who have their own well-developed training programs–are among the 30 largest users of the home study course:

Top Thirty Companies Participating in Cornell Home Study Program 1976

Rank	Company	Students
1.	Dominion Stores Ltd.	1030
2.	The Kroger Company	749
3.	The Great A&P Tea Co.	667
4.	Publix Super Mkts., Inc.	509
5.	Central Companies	328
6.	Winn-Dixie Stores, Inc.	252
7.	H. E. Butt Grocery Co.	240
8.	Supermarkets General	222
9.	Safeway Stores, Inc.	219
10.	Loblaws Limited	202
11.	Schnucks Markets	197
12.	Shop and Go., Inc.	193
13.	Grand Union Company	191
14.	National Tea Company	167
15.	Acme Markets, Inc.	162
16.	Nash-Finch Co.	139
17.	First National Stores	133
18.	Alterman Foods	123
19.	Giant Foods, Inc.	110
20	Hannaford Brothers	107
21	Wegmans Food Mkts.,	104
22.	Albertson's, Inc.	95
23.	Penn Traffic Co.	89
24.	Calkins and Company	87
25.	Dillon Companies, Inc.	85
	Purity Supreme	85
26.	Fine Distributing Co.	74
27.	Chatham Complete Food Centers	71
28.	Food Town Stores, Inc.	63
29.	Von's Grocery Company	58
30.	Harris-Teeter Super Markets, Inc.	53
		6,804

IRS READY TO ATTACK FRINGE BENEFITS IN RETAILING

Not only in retailing–but in all business. According to Research Institute of America, IRS Commissioner Kurtz has referred to his Advisory Group the 11 subjects first identified last year. Action was halted by the Ford Administration. The fringes IRS is considering for elimination from tax-free status are:

1. Employee discounts in retail stores (no mention is made of other discounts such as special prices on cars bought by employees of auto companies).
2. Supper money.
3. Free use of a company car.
4. Free or reduced price transportation given employees and their families by transportation companies.
5. Free annual physical checkups and services of company medical units.
6. Company provided bodyguards.
7. Use of corporate aircraft or cars for travel to resort areas.
8. Company-paid child care service.
9. Company picnics.
10. Company-provided buses when plants are remote from transporation.
11. Use by Federal employees (but apparently not State employees) of a Federal car and Federal chauffeur.

RThought: Retailers should start organizing now to defend the employee discount–the purpose of which is to provide an economic incentive for employees to patronize the store where they work. It is still considered advantageous that a Bergdorf-Goodman or Neiman-Marcus employee wear the company's apparel instead of something from K-Mart or that an employee of a Hart Schaffner and Marx retail store wear a Hickey Freeman or HSM suit instead of a liquidation special from a Robert Hall store.

If these fringe benefits become taxable, then employees will certainly bring pressure to have offsetting extra pay and they will make their purchases wherever they please.

RThought: It is hard to argue against certain of these benefits being made taxable income–such as corporate cars when the basic job does not require travel, or the use of corporate aircraft for travel to vacation spots. On the other hand, some are strictly nit-picking. Non-taxable supper money might be limited in amount and RT knows of no business that spends so much on an employee picnic (or other employee affair) that it should be considered anything but a benefit to the employer rather than the employee.

Eliminating company-paid child care service will increase the demand for tax-paid child care service and may mean that a significant number of employees will give up jobs and go on welfare. If it is appropriate to have bodyguards for an employee it should be considered the same kind of safety investment that the Occupational Health and Safety Administration requires in unsafe work areas.

A DANGER IN CONSENT ORDERS WITH THE F.T.C.

A consent order, once entered into, constitutes a continuing agreement on the part of a firm not to do certain things. The unfortunate part for "firms" is that the firm continues but the people change. Soon the people who signed the consent order are gone—and the people who replace them may or may not know that consent order is in effect.

If you violate an FTC consent order, and the FTC learns of it, all they have to do is bring you before an appropriate court, produce a copy of the consent order, show the violations, and ask for civil penalties to be assessed. Your lack of knowledge of the existence of the consent order is no defense and your intent has nothing to do with the penalty.

The story used to demonstrate this took place several decades ago when the FTC cited International Correspondence School (ICS). ICS ran an advertisement in the 1930s that FTC found objectionable. Ultimately ICS signed a consent order. After World War II, when all the original parties at ICS were gone, someone looked through an old ad book and found the objectionable ad. There was no notice of the consent order. They thought the ad was great—and ran it again. Unfortunately the FTC official who had brought the original action, although retired from FTC, happened to see the ad and reported it to the FTC who then took the matter to court and a fine of substantial size was imposed.

That happened just recently to Safeway. In 1963 Safeway signed a consent order saying that they would not represent that "Skylark Diet Bread" was less fattening and was lower in calories than other bread. This was one of a series of cases where bread was advertised as containing fewer calories per slice—but only because the slices were thinner.

An advertisement in violation of the consent order was run in 1976 and on June 8, 1977 the U.S. District Judge for the District of Maryland imposed civil penalties of $120,000 on Safeway!

RThought: A summary of all consent orders signed by a corporation should be circulated once a year to all middle and upper level executives so that they can know what the corporation has agreed not to do again. The advertising department should have the orders and the offensive material posted on the wall. You can circulate a lot of papers for $120,000—and you seldom get adverse publicity from circulating papers internally.

THE 1977 U.S. INDUSTRIAL PAYROLL SAVINGS COMMITTEE

Have you had the same thought as I have had over the years when full-page ads appear in the **Wall Street Journal** and other papers showing the top corporate executives who make up this committee? Do you wonder if they merely lend their name to the program or if they actually put their dollars where their recommendations are?

I wrote to the two retail representatives on the current committee—Donald Seibert, Chairman of Penney's, and Richard Pivirotto, President of Associated Dry Goods Corporation. Both were kind enough to reply indicating that they are active participants and Mr. Seibert reported that he has been participating on a monthly basis for the past 9 years.

The next time you think about recommending the program to your employees—remember that a couple of leading retailers are leading the way.

WHO SAYS ADVERTISING WON'T KILL US?

Convenience Store News, in their 8th Annual Convenience Store Industry Report (May 13, 1977 issue—50¢ single copy, CSN, 254 West 31st Street, New York, NY 10001), in addition to summarizing the industry (more growth in units and sales, continued high turnover to store managers, growing return on investment, and optimism about the future) also published some interesting tables on the trends in tobacco consumption.

You should keep in mind that tobacco is by far the largest volume category for convenience stores, representing 15.8% of all sales (14.7% for industry giant Southland Corporation). At 15.2% of total gross margin dollars, tobacco is the largest producer of operating income.

You will recall that several years ago, when the first warnings were placed on cigarette packages and TV advertising of cigarettes was banned, alternate forms of tobacco (chewing, smoking, cigars, snuff) increased and cigarette consumption (per capita) dropped. But all of that has been forgotten as tobacco companies devise new methods of advertising (including advertising on TV through sponsorship of TV-covered athletic events).

From 1970 to 1975 consumption of cigarettes increased by 11%, small cigars by more than 100% and chewing tobacco by 15% while large cigars dropped by 20%, snuff by 11% and smoking tobacco by more than 30%. Even without TV advertising—but with enlarged print and billboard efforts—"coffin nail" sales are growing.

DO YOU PAY ATTENTION TO LETTERS FROM THE GOVERNMENT?

There are three bad attitudes businesses hold toward governmental agencies that I have observed through the years.

First, that "my business is honest" and therefore the government shouldn't bother me—they should get after all the other guys who are really chiseling.

Second, there is the protective employee who tries to defend his employer—the minute someone from the Equal Employment Opportunity Commission or OSHA or the Department of Labor drops in and starts to ask questions, he tries to think up answers—usually not correct—to turn away the investigator. Later, the agency asks the firm why they permit their employees to lie.

Third, there is the attitude that no one is responsible for messages from the government so just disregard them.

The last one seems to be what happened at Forest City Enterprises and their home-building arm, Winslow Homes—and it led to a civil action by the Federal Trade Commission seeking thousands of dollars of penalties.

The complaint alleges that the Winslow advertising of terms for homes did not comply with Truth-in-Lending. When the investigation disclosed this situation, the FTC, on October 8, 1975, sent a certified letter to Forest City and Winslow Homes informing them that "the Commission in prior determinations has found certain credit advertising acts or practices unlawful . . . (and) notified defendants of the potential liability . . . for civil penalties . . . for engaging in (such) acts and practices . . .". The letter, together with enclosures, was received on October 9, 1975.

The complaint cites a continuation of the improper newspaper ads in Columbus Ohio, and Cleveland, plus radio stations spots in Columbus–on October 19 and 26, November 2, 7, and 9, February 22, 1976, March 28, April 11, May 2, 16, 23, 30, and June 6 and 13.

It may take time to stop ads–but not 8 months.

RThought: The best thing that a retailer can do is have clear instructions to everyone in the business that whenever there is a contact initiated by the government that it is immediately brought to the attention of the Chief Executive Officer, no matter how small a matter it might seem. Let the CEO make the decision how to respond. No one is helped by "defensive" action at lower levels.

From the advertising terms mentioned in the complaint it would have been a simple matter to comply with the suggestions of the FTC and undoubtedly would have had little or no effect on the response to the ads. And it would have avoided attorney expenses, lost management time and the possibility of (1) civil penalties, and (2) payment of the government's cost to prosecute the case.

THE LAW AND RETAILERS

Giant Stores are bankrupt and gone. Now the courts begin to resolve their problems. Indictments have been returned against Theodore Kaufman, Jack Shapiro, Benjamin Lieberman and Gerald Silverstein who formerly were, respectively, chairman, president, financial VP and controller. They are charged with issuing false financial statements. Seven other employees are named as unindicted co-conspirators. First National Bank of Boston and State Street Bank have brought a $30 million suit against the auditors–Touche Ross–for allegedly certifying a false financial statement showing a profit of $1.5 million in 1972 when it should have shown a substantial loss.

Sears continues to pay for not providing prompt "Satisfaction" to Sears customers when Sears concessionaire, Sears Add-A-Room, went broke. It cost Sears $10 million in one California Superior Court for 11 plaintiffs. Having learned what California jurys can do, Sears has settled a case in another California Superior Court for 9 plaintiffs for $600,000 of which $557,859 was for "compensatory damages for negligent infliction of emotional distress."

Truth-In-Lending regulations are no protection. In Pollock v General Finance Company, even with the Federal Reserve Board (FRB) appearing to defend their regs, the 5th Circuit Court held that General Finance violated the law by not disclosing the amount of the loan proceeds that the debtor will have actually received even though Regulation Z issued by the FRB does not require such a disclosure. Catch-22 continues.

N.Y. Attorney General orders Bloomingdale's to change credit methods. Following an inquiry by the N.Y. Attorney General, Federated Department Stores (Bloomingdale Bros., a division) signed an "assurance of discontinuance" of the practice of holding the signer of a charge tag liable for the amount charged, even when that person is not a party to the credit agreement, through the process of placing immediately above or near the signature the statement "Payment of charge shall be made upon demand or pursuant to applicable charge account". In cases where husbands have opened accounts on their own credit, Bloomingdale's has apparently held wives liable even though not a party to the credit contract. The same, of course, would apply to an adult child whose signature was authorized.

Bloomingdale's agreed not to do this anymore and paid the $500 cost of the investigation.

RThought: Because the "assurance of discontinuance" was signed by Federated Department Stores for its Bloomingdale Division, does this also apply to A&S?

RThought: It seems abhorrent for the leading department store chain to use sneak methods to establish liability on a charge account against a person who is not a party to the credit agreement. If your store is doing the same thing, now is a good time to change.

COMMERCIAL BRIBERY

Once again, BIC Pen Corp has used this method of promotion. Their advertisement in the August 1977 issue of Administrative Management offers a $35 Samsonite Gadgeteer FREE to the person in your office who orders deal No. OF-3168 (1 gross of BIC pens). No indication is made that the Samsonite Gadgeteer will go to the Company that pays the bill; only to the person who places the order.

WORDS TO LIVE BY

Long-time RT readers will recall that I have mentioned that in the late 1940s I read a book by Father James Keller called "You Can Change The World"–a book that set forth the principles of his organization called "The Christophers." Anyone could join it–and there are no dues. All it took was a belief that the world could be changed and acceptance of the motto "Better to light one candle than to curse the darkness."

Now let me share with you the prayer of The Christophers, written by Francis of Assisi.

The Christopher Prayer

Lord,
make me an instrument
of Your peace.
Where there is hatred,
let me sow love;
Where there is injury,
pardon;
Where there is doubt,
faith;
Where there is despair,
hope;
Where there is darkness,
light;
And where there is sadness,
joy.

Oh Divine Master,
Grant that I may not
so much seek
To be consoled as to console;
To be understood
as to understand;
To be loved as to love;

For it is in giving
that we receive;
It is in pardoning
that we are pardoned;
And it is in dying
that we are born to
eternal life.

ENERGY AND RETAIL SALES

Increased energy costs are making a major impact on industrial production—and will have a significant impact on retail sales, particularly in the general merchandise and apparel area.

The dramatic increase in energy costs has changed the point at which it is cheaper to install or upgrade machinery—rather than use human labor. The cost of energy—which was disregarded in break-even computations in the past—has now become a significant factor. The general approach prior to the oil price boost was to offset the cost of equipment, installation and startup against the savings in payroll at current pay rates. It was assumed that increases in labor costs over the life of the equipment would be an additional savings.

Today there are three factors that have to be added into the equation:

1. The rapidly rising cost of energy—rising much faster than labor costs.
2. The problem of a more fully automated plant in the days ahead being subject to energy interruptions that can be expected.
3. The accounting profession/SEC push to reflect "current value accounting" so that the projected impact on earnings is no longer a matter of a known investment amortized over an estimated asset life—it can be much greater and by an unknown factor.

During the period 1947-66, productivity, as measured by the Department of Commerce, increased at an annual rate of 3.3%. From 1966 to 1973, the increase was at the rate of 2.2%. This dropped further at the start of the 1974 recession (a normal characteristic of a recession). Even now, well into the recovery period, it appears to be below 2.2%.

During the 1947-66 period, a major part of the increase in productivity was due to capital investment in equipment—not increased skills or productivity of individual workers. Interest rates were low, the stock market (particularly during the later years) provided a means to raise capital, and corporate tax rates were lower as were individual capital gains tax rates.

Today, none of those factors exist. The addition of an investment tax credit (orginally 6%, then 8% and now 10%) has not been enough incentive to stimulate the investment necessary to continue a 3.3% annual productivity increase.

As a result of this change in the relative use of manpower vs machinepower, increased production will more often mean using more people rather than more machines. This, according to some analysts, will bring into the production process less productive people—certainly less experienced people. Because of the lower experience/productivity, the people being brought will be at the lower income level.

The constantly increasing cost of houses, cars and gasoline are restricting the possibility of medium and lower income families spending money in these areas.

Looking at the experience during World War II when consumer durable goods were not available and when credit was restricted by law (rather than, as now, by high costs), people put a much greater percentage of their discretionary income into the apparel and general merchandise field. During World War II the percentage of personal consumption expenditures on clothing increased from a 12.2%-12.6% range to more than 16%. Expenditures on food increased from a 31%-32% range to more than 36%. Transportation costs dropped from a 9%-10% range to a 5%-6% range. All other groups dropped but not as much as transportation.

We are already seeing a new pattern of spending in the food field—but in the form of restaurant patronage rather than supermarket purchases. This trend will continue—and the food stores are concentrating on methods of getting into fast food or ready-to-go food service.

The impact on retailing from bringing into the economy more people at the lower skill/experience level and thus the lower income level is likely to be a boon for mass merchandisers below the level of conventional department stores/specialty stores.

This trend will tend to offset the loss of sales attributable to the increasing average age of the population—reducing the number of children (who require large expenditures) and increasing the number of senior citizens who spend substantially less on general and apparel merchandise.

SHORT SHORTS

One of the questionable business practices of Dun & Bradstreet is the way they handle contracts with their subscribers. They print the contract on the back of the terms worksheet and you have to mail the entire sheet back to them. If you want a copy, you'd better make a photocopy. Apparently D&B doesn't get the hint that Congress likes the idea of providing a customer with a copy of any contract he signs.

Optimism is high in Johnstown. Len Black of Glosser Bros. reports that they will re-open downtown on September 26th and said, "The cooperation and assistance that we have received from people in this community, vendors, and friends all over the country has been tremendous—it has certainly provided us with an incentive to get back in business as soon as possible." Penn Traffic reported that only 1 billing cycle was delayed 11 days because of the flood, but 2 cycles later were only 5 days behind.

Menswear stores help riot-damaged NYC stores. Menswear Retailers of America reports that Larry Phillips, President of Phillips-Van Heusen Corp, one of America's more socially responsible business executives, has initiated a drive to raise money for about 20 independent men's wear stores that were wrecked by fire and vandalism during the July 13th blackout in New York City. If other retailers want to help, send a check (tax deductible contribution) to Lawrence S. Phillips, 1290 Avenue of the Americas, New York, NY 10019. **I have.**

It is always hard to understand bankers, Women's Wear Daily quoted Darold Hoops of Continental Illinois Bank, on pushing both Master Charge and Visa, as saying the bank will move "cautiously but aggressively"! **(Webster's New World Dictionary:** cautious—full of caution; careful to avoid danger; circumspect; wary; and agressive—full of enterprise and initiative; bold and active; pushing.)

Levy Bros., after years of struggling with a billing machine that broke down, operated by machine operators who sometimes got sick, faced a crisis when the machine collapsed completely. On a crash basis they switched to Bank of America and now are an Honor Roll store. Roos/Atkins is now being billed by Citicorp out of New York—and still they make the Honor Roll.

HONOR ROLL

The Honor Roll grows.

Rubenstein's	2.0	Hasting's	3.8
Hink's	2.2	Iver's	3.9
Maison Mendessolle	2.5	Levy Bros.	3.9
Hess's	2.9	Mervyn's	3.9
Oshman's	3.2	Macy's (NYC)	4.0
		Roos/Atkins	4.0

CREDIT OFFICE RATING

Information From Reporters	JUNE-JULY 1977 No. of Reports	JUNE-JULY 1977 Days to Bill Average	JUNE-JULY 1977 Days to Bill Range	APRIL-MAY 1977 No. of Reports	APRIL-MAY 1977 Days to Bill Average	APRIL-MAY 1977 Days to Bill Range
Bloomingdale's (NY)	1	8.0	8	3	6.0	5-8
Bruener's (N. Cal.)	1	13.0	13	—	—	—
The Broadway (LA)	2	8.0	7-9	—	—	—
Brooks Bros. (NY)	1	5.0	5	2	6.5	6-7
Bullock's (LA)	1	9.0	9	2	6.5	5-7
Bullock's (N. Cal.)	9	7.3	5-12	9	4.8	3-6
Capwell's (N. Cal.)	8	8.0	6-10	8	6.8	5-8
B. Dalton (LA)	2	9.5	5-10	—	—	—
Emporium (SF)	5	6.6	5-8	5	5.8	5-7
Grodin's (N. Cal.)	5	4.6	4-6	—	—	—
Hastings (N. Cal.)	4	3.8	3-5	—	—	—
Hudson's (Detroit)	3	7.6	7-9	2	9.5	9-10
Lord & Taylor (NY)	1	8.0	8	—	—	—
Macy's (NY)	1	4.0	4	1	4.0	4
Macy's (N. Cal.)	9	6.1	4-7	10	6.4	6-7
I. Magnin (SF)	6	4.6	4-6	7	4.0	4
Joseph Magnin (SF)	2	5.5	5-6	—	—	—
May Co. (LA)	1	7.0	7	1	5.0	5
Penney (Buena Park)	3	6.0	5-7	2	5.5	5-6
Podesto Baldocchi (SF)	1	20.0	20	—	—	—
Robinson's (LA)	1	5.0	5	—	—	—
Roos/Atkins (NY)	1	4.0	4	2	6.0	5-7
Saks (NY)	4	9.8	9-13	1	8.0	8
Sears (Alhambra)	7	8.4	8-10	5	7.4	6-8
Sears (Detroit)	2	5.0	5	2	4.5	4-5
A. Sulka (NY)	1	8.0	8	1	3.0	3
Weinstock's (Sacramento)	2	5.5	5-6	—	—	—
TOTAL	84	6.9	3-20	64	6.0	3-15

Information From Stores	JUNE-JULY 1977 No. of Reports	JUNE-JULY 1977 Days to Bill Average	JUNE-JULY 1977 Days to Bill Range	APRIL-MAY 1977 No. of Reports	APRIL-MAY 1977 Days to Bill Average	APRIL-MAY 1977 Days to Bill Range
Brock's (Bakersfield)	18	8.9	6-12	18	7.2	4-10
Hess's (Allentown)	8	2.9	2-4	—	—	—
Hink's (Berkeley)	10	2.2	2-3	20	2.4	2-4
Holman's (Pacific Grove)	6	6.3	5-7	10	5.6	3-7
Iver's (Los Angeles)	10	3.9	3-4	10	4.0	3-5
Levy Bros. (San Mateo)	16	3.9	3-5	16	3.6	3-4
Maison Mendessolle (SF)	2	2.5	2-3	2	4.0	3-4
Mervyn's (No. Cal.)	20	3.9	3-4	20	3.9	3-4
Oshman's (Houston)	10	3.2	2-4	10	3.0	2-4
Penn Traffic (Johnstown)	10	8.8	4-16	10	4.1	3-[illegible]
Rubenstein's (Shreveport)	3	2.0	2	6	1.8	1-2
Wineman's (Huntington Park)	9	7.7	6-9	7	7.9	6-9
TOTAL	122	5.1	2-16	129	4.3	1-10

WHY A CREDIT OFFICE RATING? The Unruh Act (in California) controlling revolving accounts went into effect about 1963 just as the Office of Consumer Counsel was created. Consumers were complaining that they received statements so late that they had an additional service charge before they could pay their bills. Consumer groups were proposing laws that would have been impossible to meet with equipment and procedures in major stores. The CREDIT OFFICE RATING was initiated to bring this problem to the attention of influential people within store management.

WHAT HAPPENED—THEN AND SINCE? Initially, I was criticized for publishing the data and especially for naming stores. Since then the reports have been accepted for their intended purpose and many stores have sought to attain the Honor Roll objective, established at the beginning at five working days between cycle closing and postmark date, and now reduced to four days because of the large number of stores that have attained five days. Many stores have reported pride—both to management and credit and data processing personnel—in being listed on the Honor Roll.

HOW IS TIME COMPUTED? We do NOT count the cycle closing date but do count the postmark date, and then deduct Sundays and those holidays observed by the preponderance of stores.

HOW ARE THE FIGURES COLLECTED? Volunteer reporters send in form postcards reporting their own bills showing store name, closing date and postmark date. On receipt of one report, another form is forwarded. YOU CAN VOLUNTEER TO SERVE AS A REPORTER.

START YOUR OWN REPORT. Every store should keep this data on every cycle and establish their own goals. Other geographic areas should start a similar report and I will be glad to assist any such group.

 Probably from 9/77 RT

The Behr tax bill: A brief look at what it's about

The hottest political issue today in California is property taxes.

Californians have been compared to the citizens in the motion picture "Network" who opened their windows at the same time and shouted to the world, "I'm mad as hell and I'm not going to take it anymore!"

The California legislature — in response to the controversial Jarvis-Gann initiative — finally passed a property tax relief measure. Governor Edmund G. Brown, Jr. quickly signed SB 1 of the 1977-78 first extraordinary session into law.

Before the new tax law authored by Senator Peter Behr (R-Tiburon) can take effect, California voters will have to demonstrate their approval in two ways at the June 6 primary. One is by turning down Proposition 13, the Jarvis-Gann proposal. The second is by passing Proposition 8—a prerequisite because it changes the state constitution to allow business and private property to be taxed at different rates.

What does SB 1 do?

- If you own a home, the property tax bill you will receive in October will be reduced by 30 percent. (Under Jarvis-Gann the reduction would be 60 percent.)
- If you rent an apartment or home, the credit you receive next year on your state income tax return would be $15 instead of the current $37.
- If you are a homeowner or renter over age 62 with a family income of $13,000 a year or less, you would receive additional property tax help.
- It places a limit on property tax revenue collected by local government so that if home values (assessments) rise, the property tax rate must fall.

by Bob Davis

Addendum to Salesman's Calling List (published in February)

VALCO DRUG STORES (9 units)
828 Main St.,
Martinez 94553 (415) 228-3220
President, Aldo Vasconi
Vice President/General Manager, Penn Keller
Advertising Manager, Jim Belka
BUYERS
Grocery—Penn Keller, Jim Belka . . . . Mon. thru Thurs. 10-5
Liquor—Jim Belka
Non-Foods—Penn Keller, Jim Belka

An idea to ponder

While firms do not appreciate being reminded of previous consent orders, it might well save thousands of dollars in fines if they keep old consent orders in mind. As time rolls on and personnel move on or retire, the chance that a violation of an old, existing consent decree rises.

It might be useful to draw up an updated summary of all consent decrees to which a company is party to, including those which might have been inherited by acquisition of subsidiaries. This, of course, needs legal counsel. The updated list might be circulated on an annual basis as a reminder to executives on a need-to-know basis.

FMI: the proposed sanitation ordinance is unworkable

The Food Marketing Institute (FMI) voiced strong objection to a new model food store sanitation ordinance proposed by the Food and Drug Administration (FDA) in a lengthy and detailed brief submitted in March to the FDA.

FMI comments call for reconsideration of over 100 provisions of the model ordinance, intended as a model for voluntary adoption by individual states. **FDA would have no enforcement responsibilities under the law which is aimed at establishing uniform food quality and handling standards throughout the nation.**

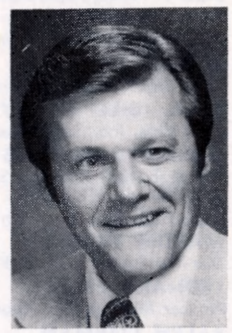
FMI comments stressed industry's concern for maintenance of high sanitation standards, but emphasized that the model-ordinance is unrealistic and unworkable because it proposes "absolute" standards which are clearly impossible to meet in retail operations.

FMI attacked Section 8 compliance and penalty standards as totally unwarranted and impossible to implement. So stringent are guidelines for violations that a retailer could be closed down without warning for the most inconsequential of violations. FMI comments stated that "proposed imposition of absolute criminal liability for individuals seems inconsistent with basic concepts of justice" and called penalty provisions a "textbook example of questionable principles of law enforcement."

Under the ordinance anyone found in violation of any provision of the law would be liable to a $3,000 fine and six months imprisonment. In its brief FMI asked FDA for a point-by-point response to each question FMI raised and for subsequent republications of a modified proposal for further comment.

Roger Hughes is appointed to the CGA board

Roger Hughes has been appointed to the board of directors of the California Grocers Association. He replaces Marshall J. Italiano who was recently transferred to Cleveland where he assumed the presidency of Fazio's northern Ohio division.



Hughes

The new director is an executive with Hughes Markets, Inc. of Sherman Oaks, in Southern California. He makes his home in the San Fernando Valley community of Northridge.

Hughes is also a director of the Southern California Grocers Association. He attended the University of Southern California and is a veteran of the U.S. Navy.

W-2 form changes

W-2 form changes for 1978 should be noted according to a recent IRS release. Employers should ignore boxes 5, 6, 8 and 9 when preparing Form W-2 to report wages earned in 1978. Social Security amendments passed last year eliminated the need for these boxes since employees will now be given a quarter of coverage for each $250 of social security wages paid in 1978, up to a maximum of four quarters of coverage. The forms were printed before the law was passed. Form W-2 for 1977 is not affected.

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In this issue

Star Programmes Ltd.
Bushey Studios, Melbourne Road
Bushey, Hertfordshire, WD2 3LN
Telephone: 01-950 5791
Telex: 922996

Put Work 9/1 RT

RJA/MS 14th November 1977

Mr. R. Kahn,
Messrs. Robert Kahn & Associates,
P.O. Box 343,
Lafayette,
California 94549,
U.S.A.

Dear Mr. Kahn,

Stop Her

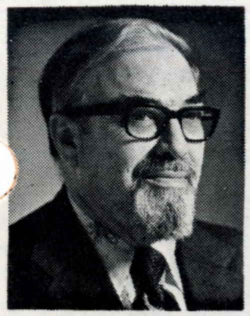
Your letter of the 19th October to Marks & Spencer Ltd., has been passed to me as Star Programmes is handling overseas distribution of the above film.

We are currently negotiating with American training film organisations to establish full preview, rental and purchase facilities in the U.S.A., and as soon as these arrangements are complete I will provide you with full details. We would, of course, appreciate any further publicity you could then provide for this excellent film.

Yours sincerely,

R. J. Amswych
Managing Director

Registered office:
26 Cuckoo Hill, Pinner, Middlesex
Registered no. 1326366 England
Directors:
R J Amswych [Managing] S A Amswych



RETAILING TODAY

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ROUTE TO

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ONCE UPON A TIME RETAILERS WERE NOT AFRAID TO TAKE PUBLIC POSITIONS

This was true even when it was a controversial subject.

The Sunday Times (London) recently had an article about Marie Stopes, the leader of the birth control movement in England. She defined the period with her two books–Married Love (1918) and Enduring Passion (1928).

But the point of this is not to push birth control. It may have gone too far today with 21 years of declining birth rate and a "desired" birthrate at about half the number required to maintain a stable population. (Fortunately, unplanned births are maintaining the population level a bit higher).

The point is to mention Selfridge's in London–then, as now, a leading retailer. I quote from the article:

> "Her travelling birth control caravan provided further evidence of a 'Catholic plot.' Sped on its way by £100 from Selfridge's department store, the world's first horsedrawn birth control clinic set off on its provincial crusade in 1927."

RThought: I suspect that living was better in our communities when retailers were willing to accept leadership. But in those days the management was the owner–and he usually intended to stay in his community. Thus he had a greater interest in the development of the community. This is something that our "professional" managers do not demonstrate–they always have their eye on a bigger job somewhere else.

My father told me many stories about my grandfather, Solomon Kahn, in the days when Oakland was a small town and Kahn Bros. was one of the leading stores. Sol Kahn took a public position on almost every issue of importance to Oakland. His customers often disagreed with him.

Dad told me that when he was a kid he saw an older woman, dressed in black with a lavender choker and a broadbrimmed black hat, approach Sol, disagree with his stand, and shake her finger in his face (Sol was not very tall) and say, "Solomon Kahn, I will never shop in your store again!" Most came back–Kahn Bros. prospered–and so did Oakland.

SUPPORT THE CONSUMER

Most retailers profess to offer satisfaction. Retailers, with few exceptions (car dealers, appliance, etc.) know that they exist because shoppers come back again and again. And that is why most retailers should support the efforts to create the Agency for Consumer Protection.

If you feel that your customers would benefit, why not join John Hechinger of Hechinger's (Washington's leading home improvement chain) and his National Coalition for Passage of the Agency for Consumer Protection. King's Supermarkets, Star Markets, Stop & Shop and many others are already giving their support.

Write c/o Hechinger's, 901 - 17th St. NE, Washington, D.C. 20002 or call 202-629-4563.

A MATTER OF ETHICS

This is the time of year to make clear your company policy. It is at Christmas time when most "gifts" (commerical bribes) are given.

You can state it in a very simple manner:

Say that this company does not give gifts. The employees of this company do not accept gifts. Employees do not give gifts to other superiors.

Add that employees that violate this policy are subject to dismissal.

Tell them you have advised all of your suppliers of this policy by a special mailing sent to the chief executive officer and you have asked each supplier to cooperate with you on this policy. You have also asked that they advise the Chief Executive Officer of this Company in the event that any of your employees should request, seek or suggest that they receive any form of gift, compensation or bribe.

RANKING OF CREDIT CARD SECURITY HAZARDS BY INDUSTRY-WIDE DOLLAR LOSSES

The Nilson Report (P.O. Box 49936, Barrington Station, Los Angeles CA 90049–$125 per year) should be read by every firm issuing a substantial number of credit cards. In their Issue No. 165, released June 13, 1977) they list the following sources of loss by dollar importance:

1. Stolen cards
2. Lost and misplaced cards
3. Fraudulent applications
4. Alteration of cards
5. Counterfeits
6. Collusion
7. Fraud charges
8. Postal theft
9. Mail order telephone fraud
10. Manufacturing, embossing or mailing services
11. Magnetic stripe tampering.

RThought: Nilson provides an outstanding semi-monthly summary of news and analysis of the credit card field. If you do subscribe, ask to start with Issue 165 in which he debunks the widely quoted Frost & Sullivan projection that credit card fraud will reach $10 billion a year by 1986.

A CHANGE IN THE COST OF NEWSPAPER ADS MAY BE IN THE MAKING

After years of study and analysis, the Federal Trade Commission is challenging the spread in the space rates charged to retailers by newspapers. Their worthy target is the Los Angeles Times–one of the largest retail advertising papers in the country.

The FTC is studying the spread in rates from the minimum rate for small insertions to the greatly reduced rate that a handful of large retailers enjoy.

Under the acts administered by the FTC a pricing difference than can be cost-justified is a legitimate difference. Any FTC action will depend upon whether or not the wide spread in rates can be cost-justified.

The combination of being the largest store in town and enjoying greatly discounted display advertising rates has long been a major economic benefit to that store and these factors tend to perpetuate that store's position. If the largest store in town is 50% larger than the second largest, it enjoys a lower advertising space rate and does not have to use 50% more space to maintain its position. Thus, the lower rate and the less than proportionate space need may result in a .3% to .5% expense edge for the larger store.

RThought: If papers can only charge cost-justified differences, it may not help the small stores–only increase the expenses of the larger stores. There is no reason to believe that the open rates will be reduced.

WHO HAS THE LOWEST PRICES?

In the Los Angeles food market, Fazio's advertises "Mr. Fazio refuses to be undersold." That might lead one to suspect that the prices are lowest at Fazio's.

But that isn't what shows up in a report "Retail Grocery Store Prices, Patterns and Practices, Greater Los Angeles Area, May 1977" prepared by Ben Torres, Associate Professor, San Bernardino Valley College, 701 South Mt. Vernon Ave., San Bernardino, CA 92403 (write for a copy).

Professor Torres worked with 92 items–grocery, frozen foods, meat and deli, produce, and household items–and studied all the food stores. Among the chains the sum of the lowest prices came to $198.04 but the lowest marketbasket price was at Gemco at $211.84. In succession were Von's, Safeway, Stater Bros., Fazio's, Ralphs, Lucky (who own Gemco), Food King, Market Basket, Alpha Beta, Albertson's and Thriftimart, reaching a total at Thriftimart of $224.08 or 5.8% more. Gemco was lowest on 19 of 92 products and tied for lowest in 16 others. Von's was low on 9 and tied on 17 and Market Basket was low on 8 and tied on 12.

Gemco offered buyers a chance to compare–if a customer bought 25 or more items for a total of $20 or more and could find the same marketbasket at a lower price elsewhere, Gemco would refund the difference. Von's makes a similar offer but excludes Gemco!

But the food chains are not the only place to shop–there are two major discount chains–Fedco and FedMart. Not all 92 items were carried by these two chains–but on the items carried, Fedco offered a substantial savings and FedMart was generally lower than the chains.

But the lowest of all–and the bane of many retailers–were the military commissaries. For example, 24 oz. brand name white bread was available at 37¢ against 67¢ at Fed Mart and a 72¢ average at the chains. 12 oz. Fritos corn chips were 56¢ vs 67¢ and 76¢, respectively. On items normally used by chains as loss-leaders–such as sugar, Crisco, Wesson Oil and Green Giant corn–the prices were higher in the commissaries.

RThought: It is, of course, impossible for any chain to always be lowest–but it isn't impossible for a chain to make that advertising claim–until the FTC or a consumer protection agency challenges the figures. How many customers actually believe such a claim? And for those who don't believe the claim–it gives just one more reason to doubt all retailers and all advertising.

THE VALUE OF REMODELLING

In the past I have had an opportunity to measure the improvement in performance of a store following a remodelling. These results are the best incentive for a merchant to keep his store as efficient and attractive as possible.

Milton Perlmutter of Supermarkets General gave the following table in their 1977 Second Quarter report illustrating the impact of remodelling a 28,000 sq. ft. Howland Department Store in Middletown, N.Y. It shows the performance the fiscal year prior to remodelling and the two years following the remodelling.

Fiscal Year	Sales Increase Over Prior Year	Sales per Square Foot of Sales Area	Gross Margin Differential Between Middletown and Howland Average
1974	+7%	$62	+ .8%
1975	+26%	$75	+ 1.5%
1976	+21%	$91	+ 1.6%

If we assume that a 28,000 sq. ft. store has 23,000 sq. ft. of selling space, then the remodelling produced an additional $667,000 in sales plus the improvement in overall gross margin. Unfortunately, Mr. Perlmutter did not tell us the cost of remodelling–but it appears to have been a great bargain.

YOU ARE WHAT YOU READ

Mason Haire, Consulting Professor of Management at Stanford Graduate School of Business, recently told a group of top executives (according to the Alumni Bulletin, Summer 1977) that they should read such publications as **Rolling Stone**, **Village Voice**, **Berkeley Barb** and **Playboy** if they want to better understand and predict trends in American Society.

Who is Mason Haire? A leading teacher and researcher in the field of industrial psychology. My first knowledge of Professor Haire came almost 30 years ago when I learned that he was the man who showed instant coffee makers how to market their product. The manufacturers thought they had a great product–but it was not selling. I think the technique used by Professor Haire was called "subjective projection." He used two groups of housewives. To each group he gave a shopping list of 10 items and asked the women to describe the person who would have such a list. The only difference in the two lists was that one contained the item "1 lb. of coffee" and the other contained the item "jar of instant coffee."

Every woman with the "instant coffee" list described the person as being wasteful with her money and/or not caring about her husband. None of the women with the "regular coffee" list made such observations. This identified the barriers that the manufacturers had to overcome–which they did with two campaigns that some RT readers may remember. One spread the theme "now my husband can have coffee whenever he wants it" (caring); and the other showing a Park Avenue Society leader saying that she saved money by serving instant coffee (frugality).

Professor Haire surveyed his audience of top executives and found that virtually all read the Wall Street Journal while only one read Rolling Stone and only a handful read (rather than scanned) Playboy.

He pointed out that business executives read in a very narrow range–and really don't know what is happening out in the real world. They need an information system that brings to their attention just how the real world is thinking and acting. This is just as important as the internal information systems that permit a large corporation to operate profitably.

RT tries to do part of this job.

WILL YOU HAVE SPECIAL STORE HOURS FOR HANDICAPPED CUSTOMERS?

Alexander's has done it–in the face of union opposition. The union backed off under extreme public pressure.

Last year Target Stores (part of Dayton-Hudson) at 32 stores, had a special Sunday night opening, for 2 hours, early in December. Volunteers helped push wheelchairs and serve coffee.

Stores in Geneva, Switzerland have done this for more than a decade.

RThought: Is there a real reason why you cannot extend a special gift–of shopping ease–to the handicapped this year? And, for the 40 year old woman in Minneapolis, how would you have answered her question, "Why can't the stores do this every 3 or 4 months?"

WHO SHOULD MAKE MONEY ON YOUR COMPANY'S STOCK?

Much of the material that RT reads in annual reports and proxy statements relates to stock options, qualified and non-qualified, for the key executives. If not options (which are losing some of their appeal because of increased tax cost) it is phantom stock, or award units or some other gimmick that provides a no-risk gain to the so-called key people.

But are these really the key people in a retail orgainzation?

Ask your customers how many know the name of your executive vice president. Then ask how many know the name of a clerk in one of your stores.

That really isn't a fair question–it seems that executive vice presidents stay such a short time with a company that even middle management people may never learn to pronounce their name.

It is seldom that RT reads of the employees at the lower level getting a break on phantom stock or options or awards.

Thus it was good to read the Winn Dixie annual report for the year ending June 1977. 45% of their full-time employees are stockholders and in their 1151 stores there are an average of 12 stockholder/employees per store (plus the people in offices, warehouses, driving trucks, etc.).

Winn Dixie has attained this position because of two factors. First, they have earned consideration as a good investment by outstanding performance over many, many years. Management has produced increased sales, sales per store, earnings per share and dividends per share every year for more than a decade. Second, they have a stock purchase plan for virtually all full-time employees at a price of 85% of fair market value. During 1977 more than 165,000 shares were purchased by employees–and all of these were purchased by Winn Dixie in the open market so as to avoid dilution of the other stockholders.

TANDY INNOVATES AGAIN

Tandy Brands, a spin-off from Tandy Corporation, but retaining Charles D. Tandy as Chairman of the Board, has come up with a wonderful way of making a profit on the declaration of a dividend!

Just imagine–having it both ways.

Tandy Brands have announced that they will pay an initial dividend of $1.70 per share in the form of a 9% 15 year subordinated debenture. The minimum denomination will be $100. Any fractions resulting from the $1.70 per share dividend will be sold and the cash obtained will be distributed.

Just to insure that the 9% yield will **not** provide a selling price equal to the face value of the debentures, Tandy Brands announced that "The Company has no current plans to register the debentures on a national exchange."

If you have 100 shares and are entitled to 1 debenture plus the proceeds of 70/100ths of a debenture, you will discover that the fraction of a debenture may sell at a discount initially (thus you may get only $65 or $60 for what you thought was a $70 dividend). At some later date Tandy Brands can buy up the discounted debentures (they are callable anytime at par–so should Tandy Brands merit a lower rate than 9% they will borrow money at less than 9% and call the debentures).

Just think! You get credit for a $170 dividend on 100 shares. The fraction sells for $60. The debenture settles down for something like $85 (less a commission if you can sell it)–and when Tandy buys at market, Tandy Brands makes a $15 profit!!!!

POPULATION FORECASTS CUT AGAIN

The Bureau of Census has again forecast U.S. population through 2050 (Current Population Report Series P-25 No. 704, issued July 1977, $1.95, Superintendent of Documents, GPO, Washington, D.C. 20402).

As has been the case for the past several revisions–they forecast a smaller population by the year 2000 by as much as 4 million people—a significant revision of the projection made less than 2 years ago.

The Bureau of Census keeps projecting the number of children women of childbearing age **report** that they are going to have. (The surveys don't ask the husband's opinion). The Bureau comes up with a planned schedule of 2.1 children per woman. Unfortunately, the current statistics reflect a rate of under 1.7—and further studies indicate that 40% of children born are unplanned or unwanted. This indicates a planned fertility of about 1.1 against the projection of 2.1.

The Bureau keeps saying that women are going to catch-up—but women don't. If fertility continues at the present level (it has dropped every year for 20 years so it could easily go down further) our population will stabilize at about 251-253 million people compared with the present 217 million—not much growth. The percentage over 65 will increase from 11% to 13% while the number of children 13 and under will decline from 20% to 17%.

RThought: As my son and daughter (both over 21) tell me that they (1) are not going to get married and (2) they are not going to have children, I keep reminding them that while I am not concerned about getting my Social Security because their generation is already here to pay for it—they had better start thinking about who is going to pay for their Social Security.

MAKING THE COST OF "PERQUISITES" VISIBLE

The Securities and Exchange Commission has told SEC-regulated companies that they must disclose in registration statements, reports (such as 10-K) and proxy statements the cost or value of those personal benefits received in addition to salaries, fees, bonuses and certain other forms of remuneration. The SEC explained it this way:

> **"This does not mean, however, that all benefits received by management are personal benefits which must be reported. Certain incidental benefits which are ordinary and necessary to the conduct of company business, such as ordinary business lunches, and incidental payments made by the company for items which are directly related to the performance of managements' functions at the company plant or offices, such as parking places, may not be reportable forms of remuneration. All payments made by the company for personal benefits received by management which are not directly related to job performance, however, are forms of remuneration which should be included within the reported remuneration."**

RThought: This will bring out the cost of investment advisory service, health care, cars, New York City apartments, chauffeurs, club memberships, extra life insurance, long-term disability insurance, free legal services, free accounting services, company-provided residences and expense allowances. It is becoming more and more apparent that the executive of the future will want his remuneration in front-end dollars subject to a maximum tax rate of 50%—and then he will spend it the way he wants to spend it.

NATIONAL SUPERMARKET CHAINS DO NOT WORK MIRACLES

Supermarket News (Aug. 15, 1977) published their "Market Profiles 1977" showing the leading food chain in the 25 largest metropolitan areas. The major national chains held the lead in only 13 areas—Baltimore, Boston, Chicago, Dallas, Miami, New York, Philadelphia, San Diego, San Francisco, San Jose, Seattle, Tampa and Washington, D.C.

In the other 12 metropolitan areas the following local chains were the leaders:

Atlanta	Alterman's
Cleveland	Pic "n" Pay
Denver	King Sooper
Detroit	Farmer Jack
Houston	Weingarten
Los Angeles	Ralphs
Milwaukee	Kohl
Minneapolis	Country Club
New Orleans	Schwegmann's
Pittsburgh	Giant Eagle
Portland	Fred Meyer
St. Louis	Schnuck's

SHORT SHORTS

How much do you know about educational magazines for young people? Name two! Perhaps you came up with Highlights for Children—but do you know about Ebony, Jr.? Both are excellent—retailers would do well to encourage subscriptions to both.

WORDS TO MANAGE BY

RT is indebted to Milt Woll, formerly Director of Retail Studies for Booz Allen & Hamilton and now an independent management consultant to the retail industry. Milt's note said that the following was on the desk of a top executive—perhaps it will end up on more desks.

<u>Plan Your Work and Work Your Plan</u>

These are ways to shift the weight . . . even lighten the load.

(1) Arrange your work to dispose of those things that can be handled promptly.

(2) Concentrate on the tough tasks first.

(3) Stop wrestling with a problem that has you stymied. Come back to it later.

(4) Keep work on the top of the desk where it will haunt you.

(5) Develop shortcuts wherever possible.

(6) Learn to make decisions more quickly.

(7) Take time to communicate with others. A few extra minutes explaining may save hours.

(8) Learn to say "no" to some requests.

(9) Examine your miscellaneous duties now and then. Make sure they aren't becoming routines or habits.

(10) Don't let your briefcase be a griefcase. Develop a balanced way of life. **If you can't enjoy life as a whole, you can't enjoy the work as part of it.**

THE LEVITZ CYCLE

Levitz Furniture was one of the early and most glamorous "concept" retailers. It burst on the scene from nowhere—actually from Pottstown, Pennsylvania. They brought something new to furniture retailing—the furniture warehouse. Massive inventories to match the dozens and dozens of room displays. Name Brand merchandise sold at a discount—save more by taking it home yourself. And you haul it upstairs and unpack it and even assemble it.

They opened warehouse outlets as fast as they could find locations—spreading themselves from Miami to Seattle to San Diego.

It was during 1972, when they were showing increases of 50% to 70%, largely from new stores, that I heard Leon Levitz talk to some investors in San Francisco—on a panel with other leading retailers such as Best Products, Mervyn's, Standard Brand Paints, Volume Shoe to name the ones that are still successful—and he proclaimed that Levitz could continue its increases at the same pace, with profits improving accordingly, until it would reach $1 billion in 2 or 3 years, and pass Sears as America's largest seller of furniture.

Of course, that didn't happen. The year ending January 31, 1973, was the profit peak—$12.2 million on $327 million in sales. Then it was downhill. The stock that once sold at $60 when it was earning 60¢ a share—a price/earnings ratio of 60 to 1—slipped down to 1¼ at the low point. Now it is up in the 20s as a result of a reverse split of one for four shares.

But that is only part of the cycle.

The Levitz family made warehouse retailing appear so simple that everyone jumped into the field. Wickes was one of the fastest moving—they reached 22 stores by 1973 and have stayed there. And they have yet to make a cumulative profit off the venture. It really wasn't so easy.

Mangurian's went public—and the Mangurian family took out a fortune on the initial underwriting. Shortly after that the firm was acquired by General Portland, Inc.—at another profit to the family. Soon the profits turned to losses and General Portland has been trying to unload or close down the stores. After fully reserving the anticipated loss, the remaining stores have now reached the point where the stores are breaking even.

Macy's, of course, had a lot of experience in retailing so they could do anything. They have a furniture warehouse division called J. Homestock. Ditto for Federated and their Gold Key stores. There were others, too numerous to mention.

Alas—Levitz had to cry for help. Their search brought them Bob Elliott, formerly West Coast VP for Montgomery Ward and now President and CEO of Levitz. For the first time a fully trained and qualified retailer headed the organization.

In the years since he took over, Elliott has introduced proven operating and control procedures, changed the merchandising policy to one closer to full-service stores, developed small satellite stores to utilize the inventory of a large warehouse store, brought in higher price merchandise, improved the quality of the selling, and boosted the profits.

At the rate the Company is now going, they could pass the peak profits of fiscal 1973.

And do you know what will contribute to the growth and prosperity of Levitz? Buying out the warehouse stores that others started, thinking it was so easy. In fact, it sort of looks like entrapment.

In the mid-year report to the stockholders, Elliott reported that they had purchased the six J. Homestock outlets from Macy's and a single outlet in Clearwater, Florida.

Don't be surprised if the profitable future of Levitz is based on the acquisition of the unsuccessful units started in emulation of Levitz when Levitz didn't know that their "concept" was wrong.

NAMES IN THE FTC

Tire Warranty Credits: The Cleveland FTC office was directed to study the calculation of warranty credits on tires—basically whether the credit is computed against the list price or the sale price. If computed against the list price the situation can arise where the replacement price under the warranty is higher than the current selling price. FTC is also concerned whether warranty settlements are used to tie customers to the same brand.

Walgreen Co.: Following allegations that Walgreen did not stock advertised items or sold such items at higher prices, Walgreen entered into a consent agreement to use shelf signs to indicate the location of advertised items, to disclose the advertised price, to clearly mark the advertised price if items are usually price marked and to sell at or below the advertised price. In addition Walgreen must post in each store a copy of the ad, notice that they are required to make those items available, that rain checks good for 30 days will be given for unavailable items and to monitor the business practices of all of its retail stores.

Zayre Corp: Consent order accepted by Commission requiring Zayre to have advertised items conspicuously and readily available for sale at or below the advertised prices. The complaint alleged that Zayre frequently failed to have such items available. Zayre will post copies of ads in stores, post notices of policy on availability of advertised items and rain checks if out of stock. Those items ordinarily individually priced will be marked with the lower price. Zayre will institute a surveillance system.

Note: This type of consent order is now the policy of the FTC—having imposed similar ones on Kroger, Fisher Foods, Food Fair and Shop Rite Foods.

City Stores Co: Consent order accepted requiring City Stores to refund an estimated $81,000 collected since February 4, 1977, by Franklin Simon and Lit Brothers divisions when a 20% collection fee was added to delinquent accounts referred to collection agencies. The credit contract only provided for the 20% when the account was referred for collection to an independent attorney.

CONFLICT OF INTEREST – ONE COMPANY'S POLICY

Hugh Ashcraft, President of Harris–Teeter Super Markets in Charlotte, N.C., has been kind enough to share with RT their "Conflict of Interest Policy."

The following is extracted from that statement:

"In view of the recent disclosures of improper conduct on the part of both corporate and governmental figures in high places we feel it is incumbent upon Harris-Teeter to state clearly to all employees and officers the company policy regarding business and personal ethics.

"We do this with the absolute conviction that both corporate and personal integrity are fundamental to the success of a business and to a successful, fulfilling lifetime for the individual. Therefore, we believe the company and the employee must both be able to rely fully upon the positive, affirmative response of the other in any potential conflict of interest or impropriety.

"The company expects all employees to observe the highest standard of business ethics and to have undivided loyalty to the company and its goals. Any activity or conduct which is against the best interest of the company or works for the competitive or personal advantage of another person or company is inconsistent with the duty of an employee . . .

"Conflicts of interest, improper business ethics or other improprieties also may result from such matters as:

1. **Acceptance of costly gifts . . . loans, services, travel, entertainment . . . from any individual or business entity doing . . . business with Harris-Teeter.**
2. **Disclosure of confidential information to unauthoriz persons . . .**
3. **Failure to comply with high standards of honesty and fairness in personal dealings within the company . . .**
4. **Directly or indirectly having any managerial or economic interest in a business which furnishes products or services to the company . . . The ownership of securities in companies which are publicly owned is not considered as a potential conflict of interest . . .**
5. **The transaction of business, directly or indirectly, with a relative on behalf of Harris-Teeter without first making a full disclosure . . .**

"The practice of giving Christmas gifts to those in supervisory or management position . . . should be discouraged . . .

"There are no set rules or statements which can fully cover the matter of personal morality and business ethics. Harris-Teeter expects all of its employees and officers to conduct the affairs of the company and their individual activities on the highest ethical and moral level.

"Disciplinary action, including termination, may result from failure to conduct ourselves in accord with the above considerations.

"Finally, please be assured this bulletin is not written as the result of any past or present suspicion of wrong doing. Rather its sole intent is to let the long existing company policy be made available in writing as a continuing reference to all . . ."

RThought: BRAVO!

SHORT SHORTS

The Outlet Company gets a low rating—for local news coverage by its TV stations. This unusual combination of department and specialty stores with TV stations apparently doesn't like the local news. A national study by the Columbia Journalism Review (May/June 1977) reported that news and public affairs coverage of TV stations ranged from a high of 16.7% of air time (WCVB-TV in Boston) to a low of 4.1% (WNGE in Nashville) with KSAT-TV in San Antonio (owned by The Outlet) third from the bottom among 140 network affiliates in the 50 largest markets. As a group (The Outlet has stations in Providence, Orlando and Syracuse as well as San Antonio), The Outlet was at the bottom for all broadcast groups with only 6.9% while the Washington Post-Newsweek was at the top with 13.7%.

Bullock's Northern California also goes beyond the law. In the June RT under "In Case of Errors or Inquiries About Your Bill" I commented that most notices about error procedure appeared to be written by attorneys—except for Shell Oil. Now comes Bullock's Northern California with a cover letter signed by B. Paul Heidrick, Chairman and Richard Crafts, President, saying, "As you may know, Federal law requires us to tell you, twice each year, how to inquire if you feel an error has been made on your bill. Once again these instructions are attached. Errors do occur, or course, and our customers, hopefully, have always told us about them. **Our policy has always been to respond, as promptly as we possibly can, with a fair and proper solution. Over the years, Bullock's has followed this good business practice. Federal law notwithstanding, we shall always do so.** It is because of you, our customer, that we are in business, and we are anxious to know if—at any time—you are not satisfied." (Emphasis added).

Fighting "shrinkage" the Oxford Street Association way. The British still stay with "shrinkage" and "shoplifting" instead of calling it stealing. But they place the blame largely on the influx of tourists—they estimate that 80% occurs during August September and October. One of the Arab publications argues that the many arrests of Arabs is due to their unfamiliarity with British customs—they thought someone else in their party had paid! The Association is considering instituting a program that is proving successful outside of London—giving the employee who spots the shoplifter 10% of the value of the recovered items.

The high price catalog—from Dunhill. A special letter advised that for $2.00, payable in advance, Alfred Dunhill of London, Inc. will send their 40-page (that's right—all of 40 pages) "magnificent full-color Christmas catalog." The $2.00 will be credited against a purchase prior to Christmas and shipments will be made without handling charges.

OP management newsletter
For Dealers & Dealer Management By The Editors of OFFICE PRODUCTS Magazine

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REMODELING POSSIBLE? NEED A PUSH? CHECK THESE STATS

If you're trying to make a decision on whether or not to remodel, these figures might push you towards the decision to do it. Here's what happened to the Howland Department Store (Supermarkets General), Middletown, N.Y., after remodeling.

The figures pay

Sales went up 26 percent the first year after remodeling and 21 percent the second year. The Middletown store had been operating with a gross margin .8 percent better than other Howland stores. The first year after remodeling that jumped to 1.7 percent; the second year that declined modestly to 1.6 percent. The remodeling was done in 1974 so some of the increase could have come from inflation and a better business climate, but certainly not all the increase. Sales per square foot went from $62 to $75 to $91.

You may, or may not, be able to match those kinds of increases by remodeling. But those figures certainly bear out what people like Jon Greenberg (who has a column on store design in this issue) have been saying. With increases like those listed above you can pay for a lot of remodeling.

PEOPLE PROBLEMS DELAY OFFICE AUTOMATION NOTE THE TECHNOLOGY

While your customers may reap dividends by automating their office procedures and increasing the productivity of the information processing portion of the business, people problems are going to stall those efforts. So says a report released by The Diebold Group, A New York-based management consultant firm.

Six reasons why

Diebold singles out six reasons why companies are having trouble automating the office. 1) No single existing system has all the capabilities needed. 2) Capital costs of equipment. 3) Information storage and retrieval portions of the systems are still relatively poorly developed--and insufficiently adapted to human needs. 4) Insufficient integration in companies of telecommunications and data processing. 5) Fear of loss of management control associated with various approaches. 6) Training and status issues.

The people problem

"The basic issue is not technology, but rather how people work. The people problem is not well understood

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Management has to

and contributes to most failures," a Diebold spokesman said in announcing the report.

According to Diebold, management will have to rethink five "critical" areas before the office can be automated. 1) Work pattern changes. Where companies are physically located, possible decentralization and cottage industries. 2) Changes in job functions, who does what and how can that change. 3) Expansion of use of external information services. 4) Centralized versus decentralized corporate and management information system organization. How desirable will it be--economically--to automated administrative activities? 5) Decision information flows. Diebold says every previous concept of reporting structures and decision-making processes is left open to question.

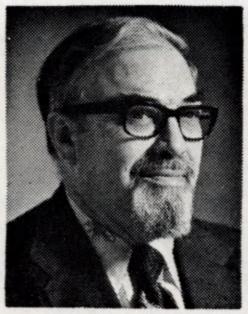
A realistic view

What Diebold is saying--in one of the most realistic views of the buzzwords of office automation and paperless office we've seen--is that the current technologies aren't meshing with the people who work in offices. While Diebold doesn't say this (this is our interpretation), the report has conclusions almost identical to those of office planners and those involved in developing landscaped and action office furniture systems. The furniture (technology) has to fit the needs of people.

And, to put it another way, as we put it in our October editorial debunking the paperless office, "the great limiting factor is that people like to see, feel, touch and work with paper."

ONE WAY TO FIGHT THE LOWEST PRICE

A machine dealer, who must often explain pricing structures to his salesmen, has this answer to combating price selling. He says, "Let's say that we have a machine selling for $600, and the competition is trying to sell a machine for $500, and both machines list for $625 or have comparable features. First, we ask the customer to decide why the dealer wants to sell him the machine for $500. The obvious answer is that the machine is only worth $500 and our machine is worth $600. Would he rather have a machine worth $500 or worth $600? If he will really only settle for the $500 price, then we can sell a machine at that price. Next, we have to ask the customer what kind of service he thinks he is going to get from the dealer who is selling the $500 machine? The real answer to that question might be that the customer will get service as good as



RETAILING TODAY

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ROUTE TO

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HOW THE MINIMUM WAGE LAW WILL DESTROY OUR SOCIETY

RT, in November 1975, in a major report entitled "There is No There, There!," documented the incompatability of our national policies of a minimum legal wage (first enacted in 1938), full employment (first enacted in 1947) and an investment credit to stimulate industrial expansion (first enacted in 1962). (Copies are still available—send $2 to RT, Box 343, Lafayette, CA 94549.)

Our Congress and our President have seen fit to pass a new minimum wage law that will boost the minimum wage law from the present $2.30 (effective January 1, 1976) to $3.35 in 1981—46% in three years!

Even those congressmen who complain about the intolerable level of unemployment among youth and minorities have persuaded themselves to pass this "tribute" to organized labor.

Table I shows the impact over the years since 1948 of the boosts in the minimum wage from 40¢ an hour to the present level is $2.30. The unemployment rates for black teenagers (ages 16 to 19) and white teenagers are shown as multiples of the unemployment rate for the total labor force.

The right-hand column shows the ratio of black teenage unemployment to white teenage unemployment.

Look first at the column headed whites. In 1948 the white teenage unemployment rate was 2.6 times the rate for the total labor force. In the 30 years that followed, this multiple hit 2.9x in 1952, 1965 and 1967 and 3.1x in 1968 and 1969.

Now—in 1977—the ratio is lower than it was in 1948 and it has been lower for the past three years. It has moved roughly in parallel with the rate for the total labor force.

Now look at the column headed blacks. In 1948 this rate was the same as the white rate. This parity remained through 1954 (while the minimum wage was 75¢).

But starting with the increase in the minimum to $1.00 in 1955, the ratio of black teenage unemployment to the total labor force escalated to a completely different level. It peaked at 6.9-7.0x for the years 1967-69 and since has receded to 4.3x in 1974 only to rise to 5.4x for the first 7 months of 1977.

This "improvement" is more fictional than real—since 1974 reflected the impact of the highest total unemployment rate since the 1930s. A hypothetical example illustrates this point. Let us assume that the unemployment rate of a segment of the labor force normally runs 10x the total labor force rate. If the total unemployment rate reached 11%, would that mean that the unemployment rate in the segment would be 110% of the workers? Obviously this cannot happen. No condition can occur where all the black teenagers would be unemployed.

TABLE I

Year	% Unemployed Total Labor Force	Teenage Unemployment Rate As Multiple of Total Rate: Blacks	Whites	Ratio of Black to White Teenage Unemployment
Minimum Wage = 40¢ per hour				
1948	3.8%	2.6x	2.6x	1.0x
Minimum Wage = 75¢ per hour				
1949	5.9%	2.8x	2.3x	1.2x
1950	5.3	2.8	2.5	1.1
1951	3.3	2.8	2.4	1.1
1952	3.1	2.9	2.9	1.0
1953	2.9	2.8	2.8	1.0
1954	5.6	2.5	2.4	1.0
Note: The ratio of teenage Black unemployment was relatively steady at 2.8-2.9x the total rate while for Whites it fluctuated in a 2.3-2.9x range. Generally the unemployment rate for Blacks was the same as or up to 1.2x the White rate.				
Minimum Wage = $1.00 per hour				
1955	4.4%	3.1x	2.5x	1.2x
1956	4.2	3.6	2.5	1.5
1957	4.3	4.3	2.7	1.6
1958	6.8	4.0	2.3	1.7
1959	5.5	4.6	2.5	1.8
1960	5.5	4.4	2.5	1.7
Note: The ratio for Blacks has jumped to the 4.0-4.6x the total labor force rate while the ratio for White teenagers has remained in the 2.5-2.7 range. This means that the ratio of Black unemployment rate to White has increased to the 1.6-1.8x range.				
Minimum Wage = $1.25 per hour				
1961	6.7%	4.0x	2.3x	1.7x
1962	5.6	3.9	2.4	1.6
1963	5.7	4.8	2.8	1.7
1964	5.2	4.7	2.8	1.6
1965	4.5	5.2	2.9	1.8
1966	3.8	5.6	2.8	2.0
1967	3.8	7.0	2.9	2.4
Note: The ratio is rising for both Black and White teenagers—but more so for Blacks.				
Minimum Wage = $1.60 per hour				
1968	3.6%	6.9x	3.1x	2.3x
1969	3.5	7.0	3.1	2.2
1970	5.0	N.A.	N.A.	N.A.
1971	5.9	N.A.	N.A.	N.A.
1972	5.6	6.0	2.5	2.4
1973	4.9	6.2	2.6	2.4
Minimum Wage = $2.00 per hour				
1974	5.6%	5.9x	2.6x	2.3x
Minimum Wage = $2.10 per hour				
1975	8.5%	4.3x	2.1x	2.0x
Minimum Wage = $2.30 per hour				
1976	7.7%	4.8x	2.2x	2.2x
1977 (July)	7.1	5.4	2.3	2.3

It is obvious what is going to happen with the rapidly increasing minimum wage over the next 3 years—white teenage unemployment will stay about 2.2x to 2.5x the total labor force rate. But **black teenage unemployment, which has averaged more than 38% for the first 7 months of 1977, will increase even more!**

The evidence is clear that rising minimum wages eliminate lower skill jobs—particularly those that are open to minority teenagers.

If you are a supermarket operator, ask yourself how many "package boys" you are employing today compared with the number used per store in 1948. If you are a department store operator, ask yourself how many **teenagers** you are employing for summer vacation relief, as Saturday extras, or as Christmas extras compared with the proportion of your labor force from this category in 1948.

But that isn't the only factor that will affect the employment of teenagers and unskilled workers.

Surveys of associations that include small businesses always report that the reaction to increased minimum wage is to eliminate jobs. Larger businesses mechanize jobs, further stimulated by the investment credit.

But the problem is complicated by the entry into the labor market of an increasing percentage of the married women who are living with their husbands (this is true of all three segments of this group—those with no children in the home, those with children over 6 in the home and those with children under 6 in the home).

A look at the column labelled **Single** in Table II shows that since 1947 there has been a nominal increase in the percentage of single women in the labor force—rising from 51.2% to 56.7%—after a dip to 50.4% in 1965.

The same is true of **widowed or divorced** women, increasing from 34.6% to 37.8% after peaking at 39.0% in 1961. A partial explanation of the stability of this percentage is found in the increasing number of women living into their 80s and 90s—many of whom are no longer physically capable of entering the labor force.

The rapid increase in the minimum wage over the next three years will attract even more of the married women living with their husband—especially when combined with the pressures from continued inflation. In 1947 only 21.4% of married women were in the labor market—the percentage increased every year, except two, to the 1975 level of 45.0%.

Many businessmen, faced with the increase in the minimum wage, will have to choose between untrained youth and more mature women returning to the labor market or even entering it for the first time. Which choice do you think they will make? Undoubtedly they will first turn to the married women, then to white youth and then (if at all) to minority youth.

RThought: when minority youth are excluded from our economic system—when they can't even get their first job—what do you expect them to do? They aren't eligible for unemployment insurance. They are not eligible for welfare (although perhaps their parents are if they are living at home).

So they rob, steal—loot during blackouts. What they can't earn, they take. We were all able to understand the soccer team stranded by an airplane wreck in the Andes that turned to cannibalism in order to survive. But we can't understand cannibalism when we force the same isolation right in the midst of our cities.

The United States government is acting like an alconolic—it knows it should not go back to the bottle of higher minimum wages (to get labor support for re-election or to try to boost the economy by its bootstraps) but it does it just the same.

TABLE II

Percent of All Women in Each Category in Labor Force

Year	Married	Single	Widowed or Divorced
1940	16.7%	48.1%	32.0%
1947	21.4	51.2	34.6
1948	23.1	51.1	36.8
1949	23.6	50.9	35.1
1950	24.8	50.5	36.0
1951	26.7	49.6	36.1
1952	26.8	50.0	35.3
1953	27.7	48.5	36.3
1954	28.1	49.0	36.0
1955	29.4	46.4	36.0
1956	30.2	46.4	36.9
1957	30.8	46.8	37.6
1958	31.4	45.4	37.9
1959	32.3	43.4	38.0
1960	31.7	44.1	37.1
1961	34.0	44.4	39.0
1962	33.7	41.7	36.6
1963	34.6	41.0	35.8
1964	35.3	40.9	36.1
1965	35.7	40.5	35.7
1966	36.5	40.8	36.4
1967	37.8	50.7	35.9
1968	39.1	51.3	35.8
1969	40.4	51.2	35.8
1970	41.4	53.0	36.2
1971	41.4	52.7	35.7
1972	42.1	54.9	37.2
1973	42.8	55.8	36.7
1974	43.8	57.2	37.8
1975	45.0	56.7	37.8

APPLAUSE FOR WALTER HOVING

RT has often deplored the unwillingness of retailers to provide leadership for their community. Too many top retail executives are so interested in moving "up" to another town that they don't spend much time making their temporary community a better place to live.

Of course, the major retail chains encourage this by their willingness to steal top people from each other. Promotion from within is almost a forgotten phrase.

The peripatetic retailer has absolutely no interest in whether schools in their trading area are good or bad (they are likely to say that there are too many school districts to be able to know their problem) or whether local government is good or bad. They don't have time to understand bond issues.

Finally, religion and morality are subjects that they seldom, if ever, discuss. In many cases this reflects a lack of understanding on the part of the executive.

Thus it was pleasing to hear CBS World of Religion recently when Walter Hoving, Chairman of Tiffany Company, was interviewed. He has written a book "Why Not Try God?" and the interview was about the work he had done to fund and support a home for girls—named after him over his protests. The school is doing a good job of returning girls and women to a useful and contributing status in society.

Hoving spoke of his view of religion—that nothing in the Bible speaks of religion, only a person's commitment to Christ. And this is all that is asked of the women admitted to the Walter Hoving Home.

RT applauds Walter Hoving—for the beliefs that he has, for putting them into practice, and for being willing to speak out about them to all who will listen.

THE AD YOU DON'T BELIEVE

Many readers remember when Kuppenheimer meant outstanding men's clothing and a company that enjoyed an outstanding reputation. Today one finds the name as "Kuppenheimer Warehouse/Distribution Center" along a freeway in Dallas—bank credit cards accepted. A recent ad was headlined "MIS-DIRECTED TRUCKLOAD SALE!" and went on to explain "Factory shipping dept. crossed up invoices—we got a whole truckload too many of new Fall Suits! It will cost more to ship them back than to dispose of them at this crazy low Sale price. So—come and get yours while the getting's good!" For $59 you are offered new-for-fall texturized polys and fine wool blends with "the feel of choice pure woolens!"

RThought: (1) Do you believe this ad? (2) If wool is not the major fibre in the wool blends, the ad does not conform to the Textile Labelling Act.

ENERGY CONSERVATION AND THE RETAILER

At times retailers seem distressed about the impact of the energy conservation programs being discussed by President Carter, his Administration and the Congress (they are not discussing the same programs but they are seeking a solution to the same problem).

Industry complains about uneconomic expenditures in energy conservation programs just as they object to investments necessary for the elimination of air and water pollution.

But retailers should keep in mind that a substantial volume of retail sales have developed in energy-consuming products—radio and TV, appliances, electric heaters, power tools, air-conditioning, power lawn mowers, and on and on. Inefficient models could be built cheaper and they were bought because of lower initial price without regard to continuing ownership costs. This pattern prevailed because the cost of energy was so low that no one considered it important.

But with changing patterns, there will be growing demand for (and supply of) replacement units of much higher efficiency, new devices aimed at energy conservation (insulation, thermal insulating coatings for windows, devices to turn off electric appliances on a time cycle, replacement lighting fixtures for more efficient lamps than incandescents—the list could go on and on).

RThought: If retailers move in on this opportunity, they will benefit; and their community will benefit through less wasted energy.

LOU HARRIS LOOKS AT THE CONSUMER MOVEMENT

In a poll sponsored by Sentry Insurance, Louis Harris and Associates surveyed 1510 members of the public, consumer activists and senior business managers and came up with interesting results.

The consumer movement has great support among the public—who also favor public board members, a public testing laboratory and mandatory consumer education in high school.

Even the business managers overwhelmingly (75%) said that the movement had done some good. 54% of the public felt Ralph Nader had done an excellent or good job with the Better Business Bureau only a mite behind (53%).

But when 25 possible fields of future government action were set forth, the three groups pushed the movement different directions. The top 6 areas (recommended by from 45% to 37% of respondents) offered by the public were:

Food Manufacturers
Hospitals
Doctors
Oil Companies
Automakers
Electric Utilities

The businessmen (by from 44% to 29%) suggested the following list: (Note that they pick on areas not really considered "business").

Garage Mechanics
Hospitals
Doctors
Lawyers
Home Building
Loan Companies

And finally, the top 6 suggested by the consumer activists (suggested by from 73% to 61%):

Electric Utilities
Oil Industry
Food Manufacturers
Doctors
Advertising
Nuclear Power Plants

RThought: Retailers appear to be in relatively good standing with the three groups. On the list of 25 "targets" were food stores, mail-order houses, department stores and small shopkeepers. Only food stores drew any significant attention.

ERISA

ERISA stands for Employee Retirement Insurance Security Act. But the first step toward being sure that an employee will get a retirement income from his employer is for the employer to have a plan.

There are not going to be as many plans as people thought.

During the first quarter of 1977, the Internal Revenue Service reported lots of terminations of qualified pension or profit-sharing plans.

As to plans established after ERISA, 8,413 were approved (49% were profit-sharing and 28% money purchase plans that do not include a fixed retirement benefit with only 18% providing a fixed benefit and the remaining 5% in miscellaneous types). At the same time, 3,593 were terminated (49% profit-sharing, 18% money purchase and 33% fixed retirement benefits).

RThought: This is another dramatic demonstration of the good intentions of Congress being imperfectly enacted into law. The law created a situation where the reasonable step for many employers is to forget about a pension or profit-sharing plan. Thus it appears that ERISA is bringing security—but only to the few employees in companies that can afford the cost of government stupidity.

CAN YOU ASK ABOUT ARREST RECORDS?

RT has long taken the position that if top retail management truly supports the American justice system—which is based on the belief that a person is innocent until found guilty—that their employment applications would not contain the question "Have you ever been arrested?".

Now it appears that this question is illegal. The decision was handed down in a case involving a department store. Decision 77-9 of the Equal Employment Opportunity Commission dealt with the case of a black woman working in a department store. Although the case arose on a charge of discrimination and harassment based on race, the investigation developed the fact that the store's employment application asked about arrests.

The EEOC held that "there is no evidence that individuals who are arrested but not convicted are any more prone to crime than individuals who have never been arrested."

RThought: Check your employment application—asking about arrest records is automatically discriminatory because the evidence shows that proportionately far more blacks than whites are arrested.

THE PROBLEM WITH EMPLOYING COLLEGE PROFESSORS

In more and more reported cases college professors are anything but objective researchers, dedicated to the acquisition of knowledge. California recently voted on a proposition to limit the installation of nuclear power plants until such time as they could dispose of nuclear waste safely. The bulk of the "No" money came from outside the state (manufacturers/purveyors/etc. who feared this would hurt their business). The star advocates for the construction of the plants were professors from prestigious universities. Subsequent to the election it was learned that most of the professors were drawing down substantial fees from the corporations that would benefit from the installation of nuclear power plants.

But it is not just in areas of science that this happens. The retail food industry has been fighting for years for the right to backhaul—bring back merchandise on their own trucks that carry goods from their warehouse to their stores. This year it is being seriously considered by Congress. Into this scene came the Grocery Manufacturers Association who commissioned Dr. I. L. Waters of Indiana University to do a study on the subject. He brought forth a report "Fuel Utilization in Food Distribution" in which he was critical of the food industry's claim of fuel conservation. Then it is discovered that Waters is 1 of 9 directors of Yellow Freight, the 3rd largest truck common carrier ($500 million revenues, 200 terminals, 12,000 employees) and he owns 7,000 shares of their stock ($200,000 market value). Objective? Doubtful.

CAN YOUR BUYERS TELL WHAT IS INSIDE "DOWN" JACKETS?

Probably they can't tell if a jacket is filled with down—and most stores do not have testing labs.

This was highlighted recently when the District Attorney of Sacramento County (California) and the California Department of Consumer Affairs filed suit against 32 manufacturers (his description) of down insulated jackets and vests.

Investigation showed numerous labeling violations. Garments marked 100% down had mixtures of down and other materials. Garments labelled as being filled with prime northern goose down had substantial amounts of chicken plumage.

The D.A. charged unfair business competition (mismarked contents) and false and misleading advertising (advertisement of the wrong contents). Both offenses are subject to a maximum civil penalty of **$2,500 for each specific act** (i.e., each ad).

It is unfortunate that the District Attorney pooled under the description of "32 manufacturers" a number of retailers who buy private label merchandise—Penney, Mervyn's, Montgomery Ward, Oshmans, Spiegel and United Sporting Goods—who presumably thought they were buying from responsible manufacturers and thought they were getting the product specified in their orders (RT makes this presumption—it has not yet been put forth on the public record).

It is another matter for the true manufacturers—because they know what is put inside the garment—they put it there. This includes some well-known names such as Head, Pacific Trail, Campus, Pioneer, and White Stag.

RThought: One of the risks of using a private label is being considered the "manufacturer" of the product. Private label users would be well advised to have, or have available, a testing laboratory with the capability to test sample garments and fabrics for compliance with specifications.

WORDS TO MANAGE BY

Long-time RT readers are aware that I am a strong supporter of The Christopher Movement—a voluntary assocation of people who are convinced that individuals can change the world. Father Keller, in his book "You Can Change The World" stressed the fact that only 1% of all people are dedicated to bad. If 1% are dedicated to good, the bad people will be neutralized and if 2% are dedicated to good, we will win the battle.

The following quotations are taken from The Christophers' 1978 wall calendar:

Life is what happens to you while you are making other plans.

Every man is an exception—Soren Kierkegaard

A good talker wins your respect, a good listener captures your heart—French proverb

Peace is a living thing that you feed every day.

The ultimate miracle of divine love is this—that love is given to us to give to one another—Caryll Houselander

A candle loses nothing of its light by lighting another candle—Father James Keller

Learn from the mistakes of others. You can't live long enough to make them all yourself—Martin Vanbee

We can only appreciate the miracle of a sunrise if we have waited in darkness.

What I do today is very important because I am exchanging a day of my life for it.

I have always believed that the man who has begun to live more seriously within, begins to live more simply without—Ernest Hemingway

RThought: If you would like to be reminded regularly during the year that "You Can Change The World," and learn how others are doing it, write to The Christophers, 12 East 48th Street, New York, NY 10017. Ask to be put on the mailing list of News Notes—now going to nearly one million people like you. There is no charge—but any contribution is tax deductible.

DO YOU UNDERSTAND WHAT "GETTING AN EDUCATION" IS?

A week or so ago I was reading a local paper when I was stopped by the headline on the column written by the business editor. It read "College Grads–JOB MARKET–IT'S A DILEMNA."

As I read on, I learned that he was concerned about finding a pleasant waitress in a modest restaurant who had a master's degree in psychology, or patronizing a cab driver who was working on a doctoral thesis in French literature.

The heart of his column was summed up in the third paragraph which said "What does it profit a man or woman if they spend as much as 20 years in the education trenches only to find on climbing out that the jobs they expected to find just aren't there?"

I think this expresses the view of many people–which merely confirms my suspicion that many people don't understand the meaning of education.

The World Book Encyclopedia starts the article on "History of Education" with the statement "Throughout history, education has always been one of man's most important activities." The Random House Dictionary gives as its first definition "the act or process of imparting or acquiring general knowledge, developing the powers of reasoning and judgment, and generally preparing oneself or others intellectually for mature life."

That isn't what the business editor was talking about. It isn't what most students are expecting in college. It isn't what most parents want their children to get for the money being spent. And it certainly isn't what colleges and universities are providing–except in rare cases.

Throughout history–right up to the middle of the 20th century–men understood the meaning of education. That is why they separated it from trade schools and apprenticeships. The latter covered the processes by which raw young material was prepared to take its place in the productive side of society. Education was something that prepared the individual to "intellectually" enjoy a "mature life."

The evolution of this corruption of the process of education is simple to explain.

By the start of this century, businesses, in large number, were expanding to a size that could not be operated by members of a single family or a group of families. Thus began the demand for "professional management," people who were not part of the ownership but who had to make major decisions. A few examples of this developed prior to the turn of the century in enterprises like the railroads and the steel companies.

In trying to find such people it was natural to turn toward college graduates who, in those days, were primarily educated in "the liberal arts." This is the educational pattern that prepares people for an "education" as defined by the dictionary. And it follows that such people, who have "acquired general knowledge" and "developed powers of reasoning and judgment" would do well as professional managers.

The corruption came early–graduate business schools were founded in the early years of the 20th century in response to grants from very rich men who wanted to establish an apprenticeship program for management positions which were in the process of being reduced to a trade. Shortly after this development, starting in the 1920s, the fields of engineering and other sciences expanded on a geometric scale so that more subdivisions of knowledge had to be included in the apprenticeship programs for engineers and scientists. Gradually most of the true educational content of college programs in business and engineering was squeezed out.

Both progressions were stimulated by the "customers" of colleges and universities–primarily businesses, but more recently including governments–who demanded that more and more trade knowledge be inculcated into the college product and less time wasted on chrome trim and fancy paint (a category covering courses in philosophy, logic, music, art). Knowing where the dollars came from–and knowing that the success of a school was often judged by the price at which they were able to sell their product (graduates)–schools bent to the whims of the customer while continuing to profess to be educators.

The government published figures on how much more a college education was worth in life-time income (there never was a study on the gain in life-time satisfaction from being "intellectually mature") and parents saw the high prices being paid for mass-produced graduates. Consistent with the materialism that has dominated our United States society for many years, parents categorized their desire for a college "education" for their offspring with their desire for a bigger house, a Cadillac and long vacations.

This reached the point where everyone wanted to go to college–and the colleges bent to the demand. The original concept of college was that admission required above average intelligence. By 1975 we had reached the absurd position where 41.6% of all people between the ages of 25 and 29 had 1 or more years of college! The percentage for whites is probably close to 50% and for white males over 50%! This means that, by the very nature of numbers, colleges are today admitting a goodly number of people with below average intelligence! Perhaps it is appropriate to use this as confirmation of the decline of colleges and universities from the status of educational institutions to the status of trade schools.

Hopefully something will develop to replace our "institutions of higher learning" because without educated people in our society the future outlook is bleak.

The so-called rebellion on the part of young people–many of whom are opting for simpler lives and increased attention to craftsmanship–is nothing more than a realization that these people are not what their parents think they are after 20 or so years of being pushed toward college as one of the parent's materialistic ambitions.

The time will come when our leaders will cry "An educated person, an educated person, our entire democracy for an educated person."

CREDIT OFFICE RATING

A complaint has been raised by a long-time RT reader that the standards for the Honor Roll (4 working days between cycle closi date and postmark) is such that smaller multiple-store operators without an in-house computer or the use of service bureaus are unable to meet the test. RT would be interested in replies from stores that, though not reporting to RT, are meeting such standards.

Perhaps there are problems even with stores that have computers because the HONOR ROLL is shorter this month:

HONOR ROLL

Company	Days
Hess's	2.6
Maison Mendessolle	3.5
Oshman's	3.5
Levy Bros.	3.8
Mervyn's	3.9
Macy's NY	4.0
Robinson's	4.0

CREDIT OFFICE RATING

Information From Reporters	AUG.-SEPT. 1977 No. of Reports	AUG.-SEPT. 1977 Days to Bill Average	AUG.-SEPT. 1977 Days to Bill Range	JUNE-JULY 1977 No. of Reports	JUNE-JULY 1977 Days to Bill Average	JUNE-JULY 1977 Days to Bill Range
The Broadway (LA)	2	8.0	7-9	2	8.0	7-9
Bullock's (LA)	1	5.0	5	1	9.0	9
Bullock's (N. Cal.)	7	5.9	4-8	9	7.3	5-12
Capwell's (N. Cal.)	7	6.1	6-7	8	8.0	6-10
B. Dalton (LA)	1	7.0	7	2	9.5	9-10
Emporium (SF)	1	7.0	7	5	6.6	5-8
Goldman's (Oakland)	1	9.0	9	—	—	—
Grodin's (N. Cal.)	2	5.0	5	5	4.6	4-6
Gumps (SF)	2	10.5	9-12	—	—	—
Hink's (Berkeley)	1	6.0	6	—	—	—
Hudson's (Detroit)	2	7.5	7-8	3	7.6	7-9
Joske's (Houston)	1	5.0	5	—	—	—
Livingston's (SF)	2	6.0	5-7	—	—	—
Macy's (NY)	1	4.0	4	1	4.0	4
Macy's (N. Cal.)	7	6.3	6-8	9	6.1	4-7
I. Magnin (SF)	3	4.3	4-5	6	4.6	4-6
Joseph Magnin (SF)	2	4.5	4-5	2	5.5	5-6
Montgomery Ward (N. Cal.)	2	5.5	5-6	—	—	—
J. C. Penney (Buena Park)	2	7.0	5-9	3	6.0	5-7
Robinson's (LA)	1	4.0	4	1	5.0	5
Roos/Atkins (NY)	2	13.0	4-22	1	4.0	4
Saks (NY)	2	9.5	9-10	3	10.3	9-13
Sears (Alhambra)	5	7.4	7-8	7	8.4	8-10
A. Sulka (NY)	1	9.0	9	1	8.0	8
Weinstock's (Sacramento)	2	5.5	5-6	2	5.5	5-6
TOTAL	60	6.6	4-22	70	6.95	4-13

Information From Stores	AUG.-SEPT. 1977 No. of Reports	AUG.-SEPT. 1977 Days to Bill Average	AUG.-SEPT. 1977 Days to Bill Range	JUNE-JULY 1977 No. of Reports	JUNE-JULY 1977 Days to Bill Average	JUNE-JULY 1977 Days to Bill Range
Brock's (Bakersfield)	1	5.0	5	18	8.9	6-12
Hess's (Allentown)	8	2.6	1-4	8	2.9	2-4
Holman's (Pacific Grove)	6	4.8	5-8	6	6.3	5-7
Iver's (Los Angeles)	10	4.3	3-5	10	3.9	3-4
Levy Bros. (San Mateo)	16	3.8	2-5	16	3.9	3-5
Maison Mendessolle (SF)	2	3.5	3-4	2	2.5	[illegible]
Mervyn's (Cal.)	20	3.9	3-4	20	3.9	[illegible]
Oshman's (Houston)	11	3.5	3-4	10	3.2	2-4
Penn Traffic (Johnstown)	10	6.3	4-9	10	8.8	4-16
Routzahn's (Maryland)	2	5.0	5	—	—	—
Wineman's (Huntington Park)	7	7.4	6-9	9	7.7	6-9
TOTAL	93	4.5	1-9	109	5.5	2-16

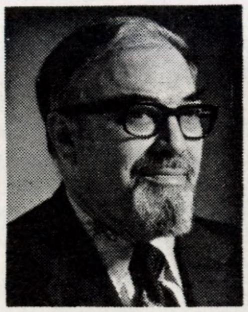
WHY A CREDIT OFFICE RATING? The Unruh Act (in California) controlling revolving accounts went into effect about 1963 just as the Office of Consumer Counsel was created. Consumers were complaining that they received statements so late that they had an additional service charge before they could pay their bills. Consumer groups were proposing laws that would have been impossible to meet with equipment and procedures in major stores. The CREDIT OFFICE RATING was initiated to bring this problem to the attention of influential people within store management.

WHAT HAPPENED—THEN AND SINCE? Initially, I was criticized for publishing the data and especially for naming stores. Since then the reports have been accepted for their intended purpose and many stores have sought to attain the Honor Roll objective, established at the beginning at five working days between cycle closing and postmark date, and now reduced to four days because of the large number of stores that have attained five days. Many stores have reported pride—both to management and credit and data processing personnel—in being listed on the Honor Roll.

HOW IS TIME COMPUTED? We do NOT count the cycle closing date but do count the postmark date, and then deduct Sundays and those holidays observed by the preponderance of stores.

HOW ARE THE FIGURES COLLECTED? Volunteer reporters send in form postcards reporting their own bills showing store name, closing date and postmark date. On receipt of one report, another form is forwarded. YOU CAN VOLUNTEER TO SERVE AS A REPORTER.

START YOUR OWN REPORT. Every store should keep this data on every cycle and establish their own goals. Other geographic areas should start a similar report and I will be glad to assist any such group.



RETAILING TODAY

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MAY 1978 BRING YOU HAPPINESS

This is the time of year when each of us should be thinking of other people—not just ourselves.

I think of you often—when each issue is assembled, when you write to me, when new readers join our growing family. But the time I think of you most is when deciding what RT should be saying to you.

Right now I am thinking about the spirit of this season—and my hopes that during 1978 you will be able to run your business a little better, improve the conditions and benefits of your employees, serve your customers a bit better and work to improve your community, your state and your country. Accomplishing even half of that should provide you with unmeasurable happiness—and, as is so often the case when doing good, a financial benefit.

In doing all of this, you must be sure that your loved ones are sharing with you—particularly that they are sharing your successes and your accomplishments. Try not to impose on them the pressures of your day—don't bring your pressures home with you.

RT has three resolutions that we offer each year. They will help you reach all of these goals.

First, never go to bed mad. Life can be terrible if you have to remember when you wake up that you are mad at someone. Most often you will be doing far more damage to yourself than you are to the object of your anger. And most important—never go to bed mad at one of your loved ones. It is so easy to make up with them. Agree that one must apologize before the day ends.

Second, build your marriage on the proposition that it is a 60-60 deal. When people think that marriage can work on a 50-50 basis they usually find great gaps between their concepts of where the mid-point is located. But if you enter into your relationship on a 60-60 basis, then you are commiting yourself to going past the mid-point to reach agreement and you are certain to find a meeting point every time.

Finally, remember that there are 20 ways to do every job. But more important, there are usually 5 "right" ways to do it—along with 10 good and 5 wrong ways. If someone has to go from New York to Miami for a meeting 2 weeks hence, they could go by air, train, bus, car or boat. Any one of these 5 methods could be a "right" way to get to the appointment. Too many executives spend too much time trying to get people to do things the one "right way" they have in mind—rather than evaluating the "right way" that their associate intends to do the task and changing it only if it is probably a wrong way.

ETHICS IN CREDIT COLLECTION

Once again government has acted to cure unethical conduct by a portion of a business community—collection agencies —because of the wide-spread abuses practiced by a small segment of that community.

The Fair Debt Collection Practices Act was signed into law by President Carter.

Many of the provisions cover practices dealt with in the past in RT and covered in talks given to a number of credit organizations under the title "Ethics in Collection Activity." Unfortunately, many collection companies feel that the restrictions go to far. They forget that when legislators undertake what business communities cannot accomplish, they always respond to the pathos of extreme situations brought before them in testimony.

One point that retailers may over look is that this law applies to their internal collection activities IF any collection is done without using the creditors true name. There remains in the retail trade those credit departments that persist in using fictitious names to cover their attempts to locate a creditor or to make a collection.

THE OUTLOOK FOR 1978—COURTESY OF RALPH WALDO EMERSON

Emerson said it all—for all years.

He started by pointing out that "this time, like all times, is a very good one if we but know what to do with it."

As a reminder he asked "Can anybody remember when times were not hard and money not scarce?"

In observing that you must be different to win the race against your competition he said "Whoso would be a man must be a non-conformist."

If you know what to do with this time, with money scarce and as a non-conformist, and you put that all into one organization, then you have reached the point that Emerson did when he said "An institution is the lengthened shadow of one man."

That institution can go on for a long time for "we do not count a man's years until he has nothing else to count."

He even put me in my place for using him this way when he said "By necessity, by proclivity, and by delight, we all quote."

WHERE IS THE CONVENIENCE STORE INDUSTRY HEADED?

Tomorrow's Convenience Stores (Convenience Store Research, Marana, AZ 85238, $39/yr.) suggests that convenience stores may be going off in all directions. Recent surveys show that adult women shoppers dropped from 36% to 33% as greater emphasis is being placed on beer and girlie magazines. Other stores are changing their image to fast-foods outlets.

Emphasis on gasoline further changes the nature of the outlets–self-service gasoline has stronger appeal to men than to women.

RThought: Eliminating basic items (food is almost gone in many of the convenience stores) reduces the pulling power of the outlet–and thus reduces the traffic the fast-food sections are supposed to exploit. As an industry, the convenience store has a difficult time developing professional managers. Most store personnel are hired at or close to the minimum wage and turnover is extremely high. Some firms have a turnover of 1 clerk per store per month!

7-11 (Southland) with about 1/6th of the total number of stores and substantially more than 1/6th the sales volume (plus probably 30%-35% of the industry profits) has reached the stage called "critical mass" and has overcome many of the problems facing the industry.

CALIFORNIA STATE CONTROLLER CATCHES EASTERN COMPANIES

California has a strong "Unclaimed Property Law" which requires that unclaimed credit balances on charge accounts, paychecks, dividend checks, etc., be turned over to the State after being held for 7 years and that unclaimed bank accounts be turned over at 15 years. Generally, corporations–including retailers–have disregarded this law (in some cases the officers don't even know about the law; but their legal counsel should have advised them).

In recent years, the California State Controller has hired some auditors and they are having a field day. They are causing corporations to disgorge large amounts that previously had been "written off" to the corporation's income.

RT learned about the pre-escheat action of one major retailer headquartered outside of California through a most unusual coincidence. In 1939–38 years ago–a dividend check for $53 was returned. This should have escheated to the State of California in 1946. It was made out to Florence P. Kahn. Recently, using their WATS line, the retailer tried to locate Florence P. Kahn. They found an F. L. Kahn listed in the San Francisco telephone directory. F. L. Kahn happens to be my Mother–and Florence P. Kahn, who served in Congress for 20 years, was an acquaintance of my Mother and my grandmother!

In any case, Mother advised me, I contacted the company and got the facts, and then passed the information on to the grandson of Florence P. Kahn.

RThought: This corporation is prepared to pay today–in much cheaper dollars–the $53 originally offered. On the other hand if this was $53 owed to them on a revolving account–and if they had compounded it at 1-1/2% per month finance charge for 456 months, they would be asking for $47,075! $53 at only 6% compounded annually would equal $485 today.

RThought: Should the retailer be commended for trying to locate the owner 38 years later (she didn't die until 1948 so they had 9 years while she was alive–and a former Congresswoman isn't too hard to find)? Should they be commended for having records that permit them to tell what money they pocketed 38 years ago? Should they be criticized for cheating California out of $53 in 1946? Should they be criticized for not adding interest to the $53 when delivering it to the heirs 38 years later?

WHERE DOES THE DISCOUNT BUYER BUY CAMERAS?

Discount camera buyers often patronize advertisers in **Popular Photography** or other photography magazines. A review of the October 1977 issue (254 pages, largely advertising), found the following pattern of advertising for 30 retailers–some of whom used up to 6 full pages:

800-telephone number + bank credit cards	17
800-telephone number but no credit cards	0
Credit cards–no 800 number	8
No credit cards–no 800 number	5
	30

K-Mart, with a full page ad for 3 models of electronic flash units, was the only major retailer included.

DOUBLE DECIMATION

The term "decimation" comes from a means developed by the Roman Legion to enforce discipline–they killed every 10th man.

Recently I was checking a list of the top 50 discount stores in 1972, as published by Discount Merchandiser, and 10 firms (20%) are no more. Do you remember **Interstate** (Topps, White Front), **Parkview Gem**, **Daylin** (Great Eastern, Disco/WonderWorld, Gulf-Mart, Millers), **McCrory** (S. Klein), **Arlan's**, **National Bellas Hess**, **Atlantic Department Stores**, **Mangel Stores** (Shopper's Fair), **Baza'r**, and **Weisfield's** (Valu-Mart).

Several survived without their discount chains–Weisfield's as a jewelry chain, Mangel with their original specialty stores, Baza'r with a small chain of supermarkets, (which they are now liquidating) and Daylin with a building materials chain and some drug stores.

In addition to that 10, several have survived Chapter XI proceedings **(Unishops, Mammoth Mart, Hartfield/Zody's)** while another group have greatly cut back on discount operations **(Grand Union, Pay Less Drug Stores/Wigwam, Allied Stores/Almart-J. B. Hunter)**.

RThought: Times have been tough for many of the early leaders in the discount store industry–an innovation that they thought was a great revolution in retailing but which was just a re-run of the department store explosion that started in 1880 and ran until about 1910.

ARE YOUR BUILDINGS BARRIER FREE?

The chances are that they are not.

The term "barrier free" may be one that you are not familiar with–but it means that your building is designed so that handicapped people, particularly those in wheel chairs, can enter and move around.

The Federal government and many state governments have mandated that future public buildings be designed so that handicapped people can enter and move around. They have set dates by which existing buildings must be modified. Many cities and states are cutting ramps into sidewalk curbs so that wheel chairs can move around business areas.

But what about retail stores? Have you ever seen a wheel chair go through a revolving door? If you are worried about the theft of grocery carts and have posts outside the building spaced so that carts cannot be taken to the parking areas, then you have blocked wheel chairs from entering your store.

If you have a two-story building without a passenger elevator, do you let handicapped people know that they can use the freight elevator?

What about extra-wide spaces for your parking lots so that handicapped people can get out of their cars or vans and into their wheel chairs? Those spaces should be closest to your entrances. The same kind of space should be provided in your employee parking area at central facilities.

Can a person in a wheel chair go to the toilet in your store? This takes an extra-wide door and properly placed handles. Can they use the pay telephone? If you have more than one pay phone you could have one mounted lower.

RThought: In your community there is an organization that works with the handicapped. That organization has people who will be happy to come down to your store, go through it with you, and point out what you can do to eliminate barriers. You should be doing that now–for every one of your stores. In the process, one of your staff people should become thoroughly familiar with the problems and the solution.

This is the very kind of action which so many retailers (and other businessmen) keep putting off–perhaps so they can protest loudly about the legislation that follows their lack of concern. The legislation to force business to be barrier free is likely to be as abusive in nature and enforcement as OSHA and it may take as long as it did with OSHA to get the agency to address basic problems rather than nitpick and impose fines.

DOES DISCOUNT MEAN LOWER GROSS MARGINS?

That's what most people would think.

And most people think that the bulk of the supermarket industry has gone discount. Therefore, gross margins should be dropping for supermarkets.

Professor Earle Wendell at Cornell publishes "Operating Results of Food Chains" and his 1976-77 report shows the following 6 year pattern of gross margins, according to volume size and for identical firms reporting throughout the past 5 years:

	All reporting stores			Identical stores	
Year	Below $100 Million	$100-$500 Million	Over $500 Million	Under $100 Million	Over $100 Million
'76-77	20.39%	20.06%	21.45%	20.61%	21.43%
'75-76	19.77	20.81	21.43	19.71	21.05
'74-75	19.71	20.66	21.42	18.31	21.13
'73-74	19.35	20.87	21.02	18.22	21.23
'72-73	20.60	21.65	20.73	18.55	21.15
'71-72	20.77	21.35	21.68	N.A.	N.A.

Gross margins have increased for the past three years–although not significantly for the Over $500 Million group.

The impact of discounting on gross margin has diminished since 1973-74 which explains why games, stamps, and premiums are once again becoming popular as an appeal to move customers from one supermarket to another.

HIGH SALES PER SQUARE FOOT

This becomes sort of a game of "can you top this" but here are some to shoot at.

From the International Council of Shopping Centers Newsletter, we learn of Robert Keilt of California Smoothie who sells fresh produce at the rate of $450 per square foot in the Paramus Park Shopping Center, Robert Everest also claims $450 as the average of his four The Famous Chocolate Chip Cookie Co. outlets. The Athlete's Foot, also in the Paramus Park Center does $545, while PopTops, Miami, who sell custom printed T-shirts from Kiosks, claims "upwards of $500." Plaza Floral Gardens in the Kings Plaza Center in Brooklyn comes in with $500 to $600 for the past 4 years. The Copper Shop about $1,000–selling collectibles and place settings.

But these appear to be examples of underutilized space compared with what The Sunday Times (London) reports for Marks and Spencer, who claim a record in the Guinness Book of Records of $1300 per square foot for their Marble Arch store. Apparently the Duty Free shops at Heathrow Airport are not eligible–reporting $2300 to $3200 per square foot! ! !

THE QUICK BROWN FOX JUMPED OVER THE LAZY SCANNER FRONT ENDS

Supermarkets are rushing into scanner-equipped checkouts at a pace that makes a snail look like Seattle Slew. Out of the tens of thousands of supermarkets, Chain Store Age reports only 154 equipped with scanners. The suppliers are:

IBM	94 installations
NCR	38
National Semi-Conductor	12
Data General/Sweda	5
Univac	5

Almost half are concentrated in 8 chains:

Giant Food	23
Wegman's	12
Lucky Stores/Gemco	8
Ralph's	7
Roundy's	5
Falley's	5
Milgram	4
Safeway	4

At least 15 independent stores served by cooperative wholesalers have scanner front ends.

With more than 65% of the items carried in the food section now bearing the UPC (Uniform Product Code) on the package–and so few stores using scanners, it may make it more difficult to get manufacturer cooperation in other retail fields now discussing scanning.

COMPETITION ON FINANCE CHARGE RATES

The hope of Senator Proxmire, when Truth-in-Lending was passed, was that competition would result between firms on the basis of the cost of credit.

It happened—but not the way Senator Proxmire anticipated. The various purveyors of credit kept inching up their charge—following each firm that raised the rate. Daily finance charge, earlier closing dates, and monthly service charges even though the balance was paid in full.

But that might change. State Savings and Loan Association, a subsidiary of Budget Industries, Inc., is now offering a VISA card with the finance charge set at 12% APR. As their ad says "That's 33% less than the normal 18% ANNUAL PERCENTAGE RATE charged by most other credit card issuers."

The rules? You must have a savings account with a balance of $1,000 or more and credit card limit is 50% of your savings account balance. The savings account draws normal (maximum) interest.

But there is a catch for those who would pay in full each month—the finance charge starts from the date the purchase is posted to the account so nobody gets away without a finance charge.

But there is competition. At last! Maybe.

A DOLLAR OF RETAIL EARNINGS ARE WORTH RELATIVELY MORE

RT is not certain that much satisfaction is derived from the fact that retail stocks were selling at approximately the same price/earnings ratio at the end of October as they were a year earlier while the Dow Jones Industrial Average P/E ratio has dropped from 10.6 times to 8.5 times.

The Table below, taken from STOCK DATA (STOCK DATA, P.O. Box 343, Lafayette, CA 94549 $10/yr.) shows the distribution of price/earnings ratios for more than 360 retail stocks traded on the New York and American Stock Exchanges or Over-The-Counter:

P/E Ratio	New York Stock Exchange		American Stock Exchange		Over-The-Counter	
	1977	1976	1977	1976	1977	1976
Loss	8	9	12	11	15	17
1- 4x	7	6	15	27	31	35
5- 6x	35	41	30	26	43	48
7- 8x	37	31	9	11	26	23
9-10x	24	17	11	9	14	10
11-15x	17	19	4	6	10	11
16-24x	3	10	3	3	5	3
25-49x	1	–	2	1	1	1
50x+	–	–	–	–	–	–
Total	132	133	86	94	145	148
Median	7x	7x	5x	5x	6x	5x

RThought: Overall retail earnings are above a year ago. But doomsday forecasters point out that all recoveries must end and therefore one should be wary of all stocks. Never have so many experts forecast so much downward movement, so much increased inflation, and so many disasters, all at some imprecise time in the future (what was forecast for spring of 1978 has now been pushed back to the fall of 1979)—and so it goes. Eventually continued earnings improvement will be recognized.

WORDS WITHOUT MEANING

From the **Consumers Distributing Company Limited** report for the 13 weeks ending October, 1977, "Jack Stupp, Chairman and CEO, attributed the 23% sales increase in the 3rd quarter to the public's recognition of Consumer Distributing's return to its earlier successful policy of providing top quality merchandise at lowest possible prices."

RT Comment: why would a catalog showroom operation ever adopt a policy of providing bottom quality merchandise at highest possible prices?

From the **Fingerhut** quarterly report for September, 1977, "While the increase in the next three quarters may not be as dramatic as the first quarter, given a reasonable economic climate, we fully expect to be on budget and in line with the growth plans for the Company." **RT Comment**: those plans, of course, are confidential so the statement cannot be proven.

NAMES IN THE F.T.C.

The Kroger Co.: A complaint was issued challenging the "Kroger Price Patrol" comparative advertising based on prices of 150 items which Kroger publishes showing the number of which Kroger is lower, the same or higher. The complaint alleges that the advertising is misleading because (1) no disclosure is made that meat, produce, and house brands are excluded and (2) 150 items do not prove that Kroger prices are lower generally (Note by RT: the point raised is that Kroger, controlling the 150 items, could set those prices on a different basis than other items in the store). The proposed order calls for use of a methodologically sound survey, fair and impartial presentation of results, and complete studies being made available to the public. NOTE: THE FTC SPECIFICALLY DISCLAIMS ANY OPPOSITION TO COMPARATIVE PRICE ADVERTISING.

K-Mart: FTC has accepted a consent order by which K-Mart agreed in the future to bring collection cases only in a court in the county where the defendant resides or signed the contract. Should K-Mart fail to do so, any pending suit will be terminated and steps taken to protect the consumer's credit rating. K-Mart must obtain a certificate from any collection agency employed that they will abide by this agreement. (Note: K-Mart has since disposed of their credit operation).

RThought: The requirement that all collection agencies employed by a retailer agree to bring suits only in the county of residence of the defendant or in the county where he signed the contract is a good procedure that should be used by all firms. And for the collection agencies among the RT readers—you should offer this as a standard term.

WORDS TO MANAGE BY

RT is indebted to Marshall Kline, of Kline-Kinsler Buying Office in Los Angeles, for providing the following thought—from a card he has used for many years for personal notes.

> "Youth is not a time of life . . . it is a state of mind . . . Nobody grows old by merely living a number of years . . . But to give up enthusiasm wrinkles the soul. You are as young as your faith, as old as your doubt, as young as your self-confidence, as old as your fear, as young as your hope! . . . So long as your heart receives messages of beauty, cheer, courage, grandeur and power from the earth . . . So long you are young."

LONG-RANGE WEATHER FORECASTING

Easter will be early in 1978–March 26th. The last time it was that early was 1967 and before that it was 1951. The next time will be 1989.

An early Easter means a greater gamble when ordering spring styles. You might look back at your markdowns for 1967 and 1951 and see if they were higher than the preceeding and following years–when Easter was 2 weeks later.

The high markdowns may be attributable to the weather–if it turned out to be "wrong" for Easter. But you don't have to guess about the weather–and some major retailers such as Sears are no longer guessing.

RT has long urged retailers to use long-range weather forecasting, particularly when considering commitment for seasonal merchandise. RT has suggested Irving P. Krick and Associates (contact Paul Chabin, Vice President, 611 South Palm Canyon Drive, Palm Springs, CA 92262).

A word about Krick. He started long-range forecasts in the 1930s when he was a professor at the California Institute of Technology. During World War II he made the two most important forecasts–he told General Eisenhower that despite the appearance that weather was not right, June 6th, 1944, would be a good day for the landing in Europe. On July 16, 1945, the first atomic devise was exploded at Alamogordo. On July 22nd, it was Krick who told General of the Armies H. H. "Hap" Arnold that the weather would be right during the period of August 5-10, 1945, to drop the first atomic bomb on Japan. The final date of August 6th was set by the local commander.

Irving Krick's skills can be used for better purposes than destruction–they can be used to avoid destruction (in the case of planning water use in drought-stricken California) and markdowns (in the case of retail stores).

The State of California is starting to pay attention to Krick. During 1972-75 he submitted forecasts to the State. The State tended to disregard the accuracy of his reports–they attributed it to "luck"–because these were fairly normal years. He forecast a very dry year for 1976-77 and that is what we had. But he predicted it a year in advance–when the water managers should have started reducing the use of water. But they did not heed his advice.

But only California retailers are concerned about the California water crisis (although very few are working the crisis into their plans). But all retailers would like to know what the weather will be for Easter–and what the pattern of cold and storms will be during winter in their trading area. And some might wonder how many air-conditioners to order for next summer.

A good answer is available–but you must put the question to the right man.

RThought: If Goldman's, a Northern California woman's chain, had used long-range forecasting, they might not have run on November 30th, for all 9 stores, an ad that said "Our **Entire** Stock of Misses & Junior New Fall Untrimmed Wool Coats 20% OFF–For One Week Only." The markdowns on that one sale would more than pay for 12 months of weather forecasts available 6 to 9 months in advance.

NAMES IN THE F.T.C

Jay Norris Corp: An FTC Administrative Law Judge entered a finding that in the advertising done in many periodicals that the firm misrepresented that the full purchase price plus all additional charges were refunded if dissatisfied with the product, that nondelivery is often caused by the U.S. Postal Service, that exchanges or refunds are expeditiously processed and that all parcels shipped except those marked "express collect" are insured against loss or damage. He also found that there were misrepresentations on a number of products–that the JN Insta-Jet Propane Gun is suitable for clearing ice from driveways; concealing that the propane cylinder must be ordered separately; failing to disclose that a roach powder may be harmful to humans; claiming that their TV antenna will bring in sharp reception in difficult areas, that their 5-Year Flashlight carries an absolute guarantee for 5 years (the manufacturer guarantees that it can be stored for 5 years but it only has a 10-hour life!), and that their Lincoln-Kennedy penny was minted by the United States.

The law judge also found that they deposited checks promptly but failed to ship merchandise or refunds for periods ranging up to one year, and failed to answer letters or made inadequate responses.

The order issued would prohibit false and misleading practices, require disclosure of material facts, require refunds to be made within the time period indicated in ads, and to maintain records on all consumer complaints for 3 years.

SHORT SHORTS

A silver lining in every cloud. Leonard Black, President of Glosser Bros., in reporting third quarter sales, announced that on the last day of the quarter they reopened the basement of their Johnstown department store, which had been closed since the July 20th flood. But instead of a supermarket the basement had toys and sporting goods, Christmas trim-a-tree, and health and beauty aids. RT is certain that this is an improvement that would never have been made except for the disaster.

Quote without comment: Harold M. Williams, ex-chief executive officer, ex-Dean of Schools of Business Administration at University of California at Los Angeles, and now Chairman of the SEC, said to the Senate Subcommittee on Reports, Accounting and Management (Metcalf Committee) "Many of the problems the (SEC) has encountered relate primarily to the auditor's losing sight of what his role is. Too often, it appears that the auditor believes that he works for the management, not the shareholders of a corporation and other users of financial statements. If hard decisions need to be reached regarding proper accounting, the benefit of the doubt seems to fall inordinately on the side most favorable to management."

Caption in the cartoon showing a very formal waiter in a high class restaurant: "Do we honor credit cards? We venerated them, sir."

FOR A FEE, YANKELOVICH, SKELLY AND WHITE TELL SUPERMARKETS THAT CONSUMER ACTIVISTS LACK RESOLVE

For a number of years, Yankelovich, Skelly and White has conducted a survey of Supermarket trends–which they updated most recently in March 1977 for the Food Marketing Institute (FMI).

As a quality market survey, it rates close to zero. No statistical documentation is provided. The report indicates that it is based on 1,039 telephone surveys and within the report it indicates that 10% of the persons contacted were consumer activists–a sample of about 104 people. Consumer activists were defined as persons who did, or were doing, two or more of the following: joined or organized a consumer boycott against particular stores or products, wrote letters to their Congressmen, got neighbors to sign petitions, marched on picket lines or distributed literature on boycotts.

They then use the sample of 104 to compare with the total sample of 1,039–on a national basis–and draw such conclusions as "consumer activists indicate an uncertainess, a lack of resolve" or, "Another ambiguous reading on consumer activists; activists are less likely to favor a government ceiling (on coffee prices) than others," or "Consumer activists are not as optimistic as consumers in general about the state of the nation. To some degree this seems to indicate a lack of self-confidence, a skepticism about the effectiveness of their own efforts."

The skepticism should be about the objectives of FMI which published the data–their Research Division apparently is unaware that when a national sample of 104 people is used that the standard deviation between the sample and the true measurement of the universe of consumer activists is quite high. Lacking such fundamental knowledge of statistics and sampling at FMI, Yankelovich, Skelly and White was able to pawn off their work without providing statistical interpretation. Otherwise they would have had to indicate that in many cases the apparent difference in answers was not statistically significant because of the small size of the consumer activists sample.

Since supermarket operators (in most cases) and the FMI (apparently in all cases) want to knock the consumer activist, Yankelovich, et al, failed to point out that consumer activists included more working women, with higher educational attainment and representing substantially higher income families. In other words–they may be smarter than the supermarket operators (I have never seen a study of supermarket operator's educational attainment–but perhaps if I ask the next 10 I run into I will have a good answer since the ratio of 10 to the total number of supermarket operators is much higher than the ratio of 104 to the total number of consumer activists.)

Even when Yankelovich, et al, were trying to manufacture bias and prejudice, they failed to make some favorable pertinent observations. In one case they buried in the smallest print in the report, in a format that made it difficult to read, the fact that the percentage of respondents who did not blame anyone for higher food prices has risen almost steadily since the first report in July, 1974. The figures for the 5 studies were 23%, 25%, 35%, 30% and now 41%.

Yankelovich showed little concern about the continued large number (82% against a 79%-89% range over the 5 prior reports) who refused to buy products that cost too much or that 18% did or would cash in coupons on products not purchased (a rising problem stimulated by the supermarket industry through offers of double or triple the face value of coupons as a form of price wars).

RThought: One always hopes for the highest level of competence in a retail association's research department but apparently retail researchers can be subverted as easily as researchers are in industry. Concealment of the true facts and especially concealing the reliability of the study appears to be acceptable if it serves the purpose of the association.

One almost hates to bring up the criticism by the Food Marketing Institute of a college study that showed that when a few chains dominate a trading area, the public pays more for food. **Just imagine–the Food Marketing Institute challenged that study as statistically unsound?**

SHORT SHORTS

Sears goes after business–in several magazines (Mechanix Illustrated, for example). Sears is inserting a self-mailer credit account application. "Good at 3600 Sears stores coast to coast" it says and offers an 800-number for telephone applications.

Footnotes to the Consumer Union financial statement–it reads "CU is a defendant in three legal actions, one which arose in 1971 and two which arose in 1976, relating to test results published in **Consumer Reports**. CU is vigorously contesting these suits and counsel for CU regards such claims as being without merit."

Tandy Brands explains a drop in sales and profits–"Late orders by cautions dealers delayed July and August shipments. September gains reflect a favorable outlook for the year as a whole." Amazing conclusion.

The end of the hypermarché in North America? The 2nd quarter report for Oshawa says "To provide increased economies and better coordination with the Company's other department stores in Quebec, the general merchandise sections of the two Montreal Hypermarché stores now have been redesignated as Bonimart units."

Ever wonder why Chinese businesses get a higher stock turn? The American business puts reserve stock in a "warehouse"–which implies a permanent spot for the "wares." The Chinese put their reserve stock in a "go down"–which implies constant efforts to reduce inventory.

When Sears thinks they have a monopoly, they exploit it. When I went in recently for my Christmas catalog book, I asked for a fall issue of their Large Sizes for Men catalog. When told that it would cost $2 plus tax, I walked out–without it. I guess I'll just have to patronize The King-Size Co. with their free catalog delivered by mail.