JANUARY 1980

F - Perhaps Stocks Will Trade at Book Value
B - Good Friends (John Roscoe)
A - Errata (re. Marshall rather than Rogers re 5¢ cigar)
Forecast
The 5% Givers Club
Personnel Policies Can Save Many Barrels of Oil
Operating Systems vs Management Systems
Do You Exchange Lists of People Who Cash Bad Checks?
Supporting the National Foundation for Consumer Credit
Ratio of Newspaper Circulation to Households -- It Varies Widely
Which Lobbying Organizations are Most Effective?
Creative Accounting I
Creative Accounting II
What Makes High Profit Stores
There is No Fool Like a Retailer Who Gets a Chance To Be Quoted
A Peek at Apartment Dwellers

FEBRUARY 1980

F -Fairchild Publications - The Porno Papers
F -Business and Government -- As Seen By An Expert
B -How Honest Is Your Banker?
A - Power To The Seniors
Errata - Theirs! (innacurate Cost-of-Living reporting)
Privacy and the Retailer
An Outstanding Report on Convenience Stores
Helping NRMA
How Many Changes Can J. Magnin Stand?
Does Interest Cost Have Much To Do With Profits?
Should You Sell Personal Computers?
Smart Operators, Those Christmas Tree Light Makers
Commercial Bribery (Faber Castell)
Names in the FTC (Montgomery Ward)

MARCH 1980

F - Retailing Around the World
B - The Editor Speaks (speech to MRA Convention)
A - JS&A vx FTC
You Read It Here (flashback on Volcker and prime rate)
Training Managers
Fairchild Publications Does Something Good
How to Balance Your View of the Consumer World
Labor's Stand-Pattism and the U.S. Economy

APRIL 1980

F - The Competency of Mr. Volcker Relative to the Accuracy of Retail Spokesmen
F - Should Corporate Executives Be Responsible For Their Acts?
B -Fighting Inflation (Ad for River Inn restaurant)
A - How Big is the Underground Economy?
Salesmen in Suits Sell More
Chains vs Independents
Every Age Has Its Own Dangers
Sears and the Grand Jury
The Impact of Imported Goods
Inflation -- As the Food Shopper Sees It
You Have To Work To Get Your Money Back From Penney's
Sears Will Copy Doc Webb
Names in the FTC (Montgomery Ward)
Do You Have a Problem Translating Foreign Currency?

MAY 1980

F - Men Can Take It -- And Take It -- And Take It
B - Do Members of the Industrial Payroll Savings Committee
  Buy Bonds?
  A - Costly Gasoline and Changing Habits
    Practical Staffing Standards
    The Need For The F.T.C.
    Staying In New York City Is Inexpensive -- Comparatively!
    Financial World Honors RT Subscribers
    Complying With the Foreign Corrupt Practices Act
    So The Recession Is Coming
    Commercial Bribery (New York Chemical Companies/Gillette
    How Inflation Impacts Our Social Intercourse
    Emporium and Capwells Are One!
    Retailers Move To Breakdown Color Barrier in So. Africa
    Faithful Harrod Customers

JUNE 1980

F - More On The Auto Industry Destruction of the U.S.
F - Are Retailers Competent to Advise the Government?
B - Eating Out
  A - Ralphs Does Not Believe In A Free Press
    Retailers Almost Alone In Hiring Liberal Arts Grads
    The Editor Speaks (speeches to ICSC "Retailing and
      Real Estate -- Moving Ahead Together"/Knitwit
      Franchisees "The History and Future of Retailing"
      & "Serving the Customer")
    Apple Label
    Changing Your Clothes Doesn't Change You
    French Shopping Centers
    The Australians Show How To Use Shopping Center Space
    Protecting Competition -- One Level Removed
    The Underground Shopper
    Names in the FTC (Fred Meyer, Inc.)
    Retailers and the Law (Vornado)

JULY 1980
F - How To Do $4 Billion on 1/20th of 1% Advertising
B - A Liberal Arts Education In Action
A - Let's Hope Lewis Gilbert Keeps Going
Changing Management Style
The Convenience Store Industry Continues--
On Air Contaminants, Lung Cancer and Drugs
Two Different Approaches to Catalog Selling
The Problem of Claiming Low Prices
Who Should Run Stores
Retailers and The FTC

AUGUST 1980
F - Whither Satisfaction Guaranteed?
F - Obscene Profits To Obscene Merchandising?
B - The Wise Use of Credit
A - Errata (Omission of Liberty House)
Product Knowledge for $1.00
The Impact of The Federal Reserve on Retail Credit
Idiocy at The S.B.A.
The Thoughts of Friedrich A. Hayek
Mixed Perspective on OSHA
More Chiseling by Retailers
National Consumer Education Week
Two Peas in A Pod

SEPTEMBER 1980
F - Who Caused The Recession?
B - A Matter of Ethics
A - Christmas Should Be Good
Award Winning Annual Reports
Dishonest Abuse of Figures
Wither Goest K Mart
Rules That Regulate Retailing But Not Other Business
Wonderful Service
Remodeling Does Not Increase Sales!

OCTOBER 1980
F - Guess What Everyone Has Discovered? Discounting Again!
B - Applause For Fairchild Publications
A - Correction (U. S. Oil Industry)
Equal Pay for Comparable Work
Special Notice (FTC - Federated Dept. Stores on promotional allowances)
If You Were Open Monday to Friday . . . . Would You Add Saturday?
A Discussion of Equal Credit Opportunity
A Miracle in Your Wallet
Avis Proves They Are Number 2
Macy's Porno Publications
Checking The Census Forecasts
Higher Interest Rates -- Did We Do It To Ourselves?
Commercial Bribery

NOVEMBER 1980
F - Is 100% Ownership 100% Right?
B - There Must Be A Better Way (November Election)
A - Sadness At The Unknown Retail Giant (TG&Y)
Supporting Consumer Education Week

NOVEMBER 1980 (Continued)

Are People Moving into The Cities?
Are People Moving Out of The Cities? Which Is Right?
Canadian Retail Leadership Is Much Better Than U.S. Leadership
When Is A Sale A Sale?
The Editor Speaks (Shoe Association; Japanese retailers; National Association of Corporate Directors)
Is United States Retailing Structured Right?
Executive Responsibility

DECEMBER 1980

F - Do Industry Operating Statistics Really Help?
F - Short Shorts
B - What Can You Do for The World--in 1981?
A - Delbert James Duncan - 1895 - 1980
210 Things Women Gripe About
Is The Better Business Bureau Any Better Than The Catalog/Showroom Industry?
Does Sears Read RT Carefully?
How We Fool Ourselves
The Meeting U.S. Reatilers Can't Hold
Helping Small Merchants
The New Marketing of CPAs
Commercial Bribery-by Famous Hotels
New Outlet Chains

JANUARY 1981

F - At Last-Many Stocks Are Selling for Close to Book Value!
B - 1981 Corporate Resolutions
A - Fire-When Not Ready, Gridley
How Does One Define Service?
I Have Discovered The Most Stupid Retailers in The World
What Is A Conservative? What Is A Liberal?
Learning from Canada
The Discount Store Food Shopper
Energy Waste in The United States
A Revisit to The Old Howard
Commercial Bribery (Industrial Lighting of Kansas City; Gillette Company; National Office Supply Co.)
Retailers and The FTC

FEBRUARY 1981

F - A Shopping Tour -- January 2, 1981
F - Competition Carries A Price -- That May Be Too High
B - The Death of A Very Rich Merchant
A - Why Were Retailers Surprised by The Last Christmas Week?
The Cycle Is Complete
Shades of Lingan A. Warren!
The Healthy West
How To Kill The Benefits of Bank Cards
Operation Feedback/Ralph's Style
Safe Hotel Living
Reducing Government Regulations

EDIT, INC.
1026 SEDWICK DRIVE
WILMINGTON, DE. 19803
302-478-7069

June 13, 1980

Retailing Today
Robert Kahn & Associates
Box 343
Lafayette, CA 94549

Gentlemen:

I would like your permission to use the enclosed material in the newsletters I prepare for DuPOnt, ICI Americas, Continental American and others.

Please indicate the credit line yourprefer.

I will appreciate hearing from you soon.

Thank you,

Dick Tippett

Richard B. Tippett

PS: I would also appreciate being added to your complimentary issue mailing list.

P

DOUBLE STANDARDS

Have you caught yourself making one of the following statements?

- A businessman is aggressive; a businesswoman is pushy.
- He is careful about details; she's picky.
- He loses his temper because he's so involved in his job; she's bitchy.
- He follows through; she doesn't know when to quit.
- He's firm; she's stubborn.
- He makes wise judgments; she reveals her prejudices.
- He is a man of the world; she's been around.
- He isn't afraid to say what he thinks; she's opinionated.
- He exercises authority; she's tyrannical.
- He's discreet; she's secretive.
- He's a stern taskmaker; she's difficult to work for.

(SOURCE: Retailing Today)

SUSSE CHALET
MOTOR LODGES & INNS

Chalet Susse International Inc.
Two Progress Avenue
Nashua, New Hampshire 03060
603-889-0133

Put with Dec 1978 RK

June 20, 1979

Ms. Suzanne McCarthy
Public Relations Director
CHALET SUSSE INTERNATIONAL, INC.
Two Progress Avenue
Nashua, N.H. 03060

Dear Ms. McCarthy:

Please go ahead and use the item that I had in the December 1978 issue of RETAILING TODAY. But I would prefer that you not give full credit to RETAILING TODAY.

A reader sent me a copy of it and the photocopy has ample room around the top and bottom of the article but does not contain a name of an author nor does it indicate the publication from which it came.

I would suggest that you might do the same and say that an interested reader sent it to you.

I am very reluctant to receive "full credit" for anything that was obtained by me in this manner.

I would, however, like to see a copy of your paper. I am always interested in newsletters.

Sincerely,

Robert Kahn

SUSSE CHALET
MOTOR LODGES & INNS

Chalet Susse
International Inc.
Two Progress Avenue
Nashua, New Hampshire 03060
603-889-0133

June 13, 1979

Mr. Robert Kahn
Robert Kahn Publishing Co.
P.O. Box 303
Lafayette, Ca. 94549

Dear Mr. Kahn,

As Public Relations Director for Chalet Susse International, a system of 29 motor lodges and inns in the midwest and eastern sections of the country, one of my functions is to write a company newsletter which is circulated among our employees. It is a small, 3-4 page paper, printed in our own office.

I came across an excerpt from your publication, "Retailing Today" (Dec.,78,p.4), which was reprinted in a local executive paper. I enjoyed the article, His Insight, Her Hunch, and would like to reprint the eleven statements about men and women in our newspaper, "The Yodeler".

If you could send me your answer and/or procedures necessary, I would appreciate it. Full credit would be given to "Retailing Today". I will be glad to send you copies of our paper if you feel it is necessary.

I will be waiting for your reply.

Sincerely,

Suzanne McCarthy

Suzanne McCarthy
Public Relations Director

May, 1979

Executives' Digest

REG. U.S. PAT. OFF.

SUMMARIES OF TIMELY ARTICLES OF SPECIAL INTEREST TO BUSINESS MEN AND WOMEN

CAMBRIDGE ASSOCIATES

A DIVISION OF THE DARTNELL CORPORATION

137 Newbury Street • Boston, Massachusetts 02116 • Area Code 617 536-3150

The Making of a Leader

Interaction, Organized Behavior Institute, Inc., March 1, p. 7

Psychological research in industry has clearly demonstrated that leaders are not made by designation from above but by acceptance from below. In short, it's the rank and file who validate a leader's credentials.

What kinds of people tend to be *perceived* as leaders? Dr. E. E. Ghiselli focuses on two sets of characteristics: 1) *Personality traits* — intelligence, initia- supervisory ability, self-assurance, affinity for rdinates, and decisiveness; 2) *Motivational traits* — need for occupational achievement, need for self-actualization, need for power over others, need for high financial reward, and need for job security.

The key to managerial success lies less in a uniform high score in these characteristics than in their appropriate combinations. For example, Ghiselli's studies tend to show that the most important items were supervisory ability, intelligence and self-assurance, while power and job security needs were less important.

These qualities cannot be artificially injected into the personality with a psychological hypodermic needle. They can be inculcated only through a continuing process by which the individual is constantly challenged to engage in self-examination, the basic technique used by psychotherapists in attempting to achieve insight.

"The only thing more expensive than education is ignorance." — Benjamin Franklin

Fringe Benefits: Executives Get Them, Too

Horizons, March, p.3

EXACTLY what perquisites — those extra amenities that make life and business easier, often luxurious — do corporations provide their top executives? A recent survey of 468 major corporations reveals that 83% of the companies surveyed provide executives with company-paid physicals; 79% provide special parking privileges; allow executives' spouses to travel with them on any business trips; 62% provide company cars; 55% grant luncheon club memberships; 38% grant extended vacations; 37% give executives use of company airplanes; 22% put company apartments or suites at executives' disposal; 21% provide executive dining rooms; 18% provide financial counseling; 11% grant medical-expense reimbursement; and 4% give executive sabbaticals.

"He who knows others is clever; he who knows himself is enlightened." — Sales Memos

His Insight, Her Hunch

Retailing Today, Dec., 78, p. 4

Put with Dec 78 RT

A reader sent in this item which is headed "Double Standard." How often have you caught yourself making one of the following statements?

A businessman is aggressive; a businesswoman is pushy.

He's careful about details; she's picky.

He loses his temper; she's bitchy.

He follows through; she doesn't know when to quit.

He's firm; she's stubborn.

He makes judgments; she reveals her prejudices.

He's a man of the world; she's been around.

He isn't afraid to say what he thinks; she's opinionated.

He exercises authority; she's tyrannical.

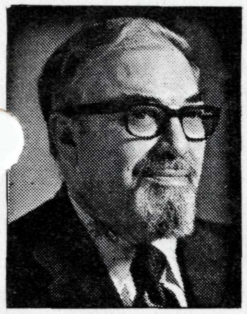
He's discreet; she's secretive.

He's a stern taskmaster; she's difficult to work for.

6 Ways a Garden Can Make You Sexier

Executive Fitness Newsletter, Feb. 24, p. 2

1) *It can help you lose weight.* At about 340 calories an hour, working in a vegetable garden for 30 minutes a day, starting April 1st, could have you seven pounds slimmer by Labor Day; 2) *It can improve your complexion.* Fresh vegetables are very high in vitamin A, a known skin vitalizer; 3) *It can tone your muscles.* Arms, shoulders and lower back, especially, get strong at the hands of a hoe; 4) *It can give you a suntan.* Bare your shoulders as you work and you can look as robust as you feel; 5) *It can put you in a romantic mood.* There's



RETAILING TODAY

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ROUTE TO

JANUARY 1980 VOL. 15, NO. 1

ERRATA

In the December 1979 RT I wrote "What this country needs, to paraphrase Will Rogers, is not a good 5¢ cigar, but an index that measures the change in the cost of living for the prudent man." Reader Al Klaber called to my attention that this remark was made by Thomas Riley Marshall, who was Vice President under Woodrow Wilson from 1913 to 1921. In checking Bartlett's Familiar Quotations, I saw that Franklin P. Adams, one of the people who made Information Please the top radio program of the 30's and 40's, in 1932 said something more important: "What this country needs is a good five-cent nickel!"

GOOD FRIENDS

One is fortunate when he has friends who will take the time to try to improve him. Recently, I was talking to John Roscoe, owner of Short Stop, a chain of 150 convenience (he calls then "small") stores. After he had provided some information I was seeking he said, "Bob, I want you to be persuasive. You don't have to beat people over the head. But I know telling you won't do any good—you will just go back to your evil ways."

John, I'll try to be persuasive.

FORECAST

In 1978 I suggested the quotation from Ralph Waldo Emerson that is the slogan of Kiplinger's **Changing Times** magazine—"This time is a very good time if we but know what to do with it." I repeated that for 1979 and I suggest that it is appropriate for 1980.

There never has been a time when a retailer held a monopoly, like 3M had for years with Scotch Tape. Strong customer demand and a protected monopoly resulted in the dollars flowing and flowing and flowing.

Sometimes it looks like a retailer has come up with a patented money-making format that will produce a 25% return on net worth forever. But then comes the turning point. In the past year that has happened to some of the long-time growth firms such as Petrie or for some, somewhat shorter term growth firms, such as The Limited Stores. Most of the off-price women's chains—Hit or Miss, Piccadilly—have had their problems.

There are a few companies with a continuing growth pattern that have not tripped—Standard Brand Paints, Long's Drug Stores—over a period of more than 20 years. But all that proves is that the skill is in the manager—John DeGregory, Joe Long—and not just the concept.

It is possible to forecast some of the things that will **not** happen in 1980. One thing is that the great future of retailing forecast at the NYU Institute of Retail Management seminar on Non-Store Retailing will not occur in 1980. Some of the finest thinkers in retail academia forecast the day when all ordering would be handled through your television set and a two-way cable T.V. setup.

Edward Bellamy first forecast this in 1888 in his book **"Looking Backward."** Alton F. Doody and William R. Davidson forecast it as the "Next Revolution in Retailing" in the May-June 1967 **Harvard Business Review**. Eleanor May and Malcolm McNair forecast it in "The Next Revolution of the Retailing Wheel" in the same publication in September-October 1978.

Both Eleanor May and Bill Davidson were making the same forecast in January 1979. But it will not come as a revolution.

It is necessary to remind all retailers that no revolution of the wheel ever swept through retailing instantly. Many of them reached a high degree of penetration but none ever took all the business. This is true of department stores against specialty stores, discount stores against department and specialty stores, chains against local firms, catalog/showrooms against the world, concept specialty chains, supermarkets, convenience stores, limited assortment stores—they may take part of the market, a little bit from each of their competitors, but not all of it.

Despite all of the revolutionary types of retailing created during the 20th Century, thousands of new specialty stores open every year—and succeed. (Thousands also fail—usually because they failed to meet the needs of customers.)

RThought: 1980 will be like 1979 and 1978 and 1977 and . . .

A large number of retailers will show that even in the face of a recession they can increase sales and profits substantially.

The retailer that succeeds will be the one who concentrates on serving his customers, responds to changes in the specific market he serves, and pays close attention to his own business. Time spent worrying about the "Next Revolution in Retailing" will be time that detracts from success in 1980.

The wheel will revolve as it always does—but it appears that it makes only one revolution every 50 to 70 years, not fast enough to worry about every day during 1980.

THE 5% GIVERS CLUB

Miller and Paine of Lincoln Nebraska is another member of this honorable group and, according to President John Campbell, has been making contributions at this level since long before he took office 26 years ago. In fact, as the gifts of major corporations with out-of-town headquarters (and thus all the typical excuses–not in the budget, too late to get approval, etc.) reduce their support of Lincoln, Miller and Paine has felt the need to support their community by making contributions in excess of the limit allowed for tax deduction.

Just looking at a few directories, RT finds the following chain organizations have stores in Lincoln or Lancaster County: Richman Gordman, Whitney Stores, Woolco, Safeway, Dillon and Cullum to name a few.

PERSONNEL POLICIES CAN SAVE MANY BARRELS OF OIL

Have you ever wondered how your personnel department could help save oil? Johnny Piacentini is the independent-minded president and principal owner of 96-unit Plaid Pantry Markets in Portland. Some years ago he personnally told the story, on a nation-wide basis, of the advantages of a bottle deposit law and how it really worked. He was the only retailer who took this position. He fought the balance of the food industry which seldom is motivated toward conservation except when it benefits their own pocketbook (for example, working to remove the ban on carrying pay cargo on empty backhaul trucks–and here they claim a fuel savings).

Piacentini has offered a plan he calls S.A.V.E. for Save America's Valuable Energy.

How can a retailer do this? In the case of multiple-location retailers, make every effort to assign each employee to the store or location nearest their home. In many cases this change would result in saving 1 to 2 gallons per day per employee. If this could be done for 500,000 to 1 million employees the savings would run from 125 to 500 million gallons a year.

RThought: Is it worth the effort? The cost of investigating isn't great. The process might start by enclosing a return postcard with the next paycheck asking each employee if there is a company location closer to their home at which they would like to work–and how much gasoline a week would be saved if a transfer was arranged.

RThought: If you do adopt this plan, you might let Piacentini know–write to: John Piacentini, President, PLAID PANTRY MARKETS, 2540 N.E. Riverside, Portland, Oregon 97211.

OPERATING SYSTEMS vs MANAGEMENT SYSTEMS

My friend and fellow consultant, David Norris, Certified Management Consultant, of Norris Consultants recently had an article in his newsletter, THE SPEC SHEET, on just this subject. To illustrate his point he used the automobile–a complex machine we all use. The table shows the related operating and management systems:

OPERATING SYSTEM	MANAGEMENT SYSTEM
1. Fuel System	1. Gas Gauge
2. Ignition	2. Battery Discharge Indicator
3. Cooling	3. Temperature Gauge
4. Brakes	4. Hand Brake "On" or Defective Brake Indicator Li[ght]
5. Engine	5. Tachometer
6. Power	6. Speedometer and Odometer
7. Lights	7. High Beam and Light Bulb Out Indicators.

If you write to David Norris, Norris Consultants, P.O. Box 16 Calabasas, CA 91302, for THE SPEC SHEET, Volume 11, 1979, and say Bob Kahn sent you, he will send you the full story.

DO YOU EXCHANGE LISTS OF PEOPLE WHO CASH BAD CHECKS?

The Federal Trade Commission has ruled that the lists of names and bank account numbers or Social Security numbers of consumers who allegedly passed bad checks, which lists were sold by Howard Enterprises, Inc., of Nampa, Idaho, violated the Fair Credit Reporting Act. Lists were sold on a subscription basis to firms that cash checks.

The FTC held that the Fair Credit Reporting Act classifies this information as consumer credit information and such information may be distributed only for certain "permissible purposes" such as determining a consumer's eligibility for credit, insurance or employment.

The FTC ruling by the Board overruled the decision of the FTC Administrative Judge who had held to the contrary on the basis that the lists constituted a "consumer report" because they bear upon the consumer's character. (Ed: Or lack [of] character!)

RThought: Areas where bad check lists are circulated among retailers should consider supporting an appeal from this decision.

SUPPORTING THE NATIONAL FOUNDATION FOR CONSUMER CREDIT

Every community or trading area over 200,000 people should have a Consumer Credit Counseling Service (CCCS). And they could–with a few volunteers and some help from the National Foundation (write to Robert E. Gibson, President, 1819 H Street N.W., Washington D.C. 10006).

Retailers should be the leaders in creating, supporting and staffing the local CCCS–just as they are at the national level.

Linden Wheeler, Vice President for Credit of Sears, Roebuck, is the current Chairman of the Board. Ashley D. DeShazor, with a corresponding position at Ward's, is the Treasurer. The Executive Committee includes Dick Kerr from Federated and Ted Spurlock of Penney's.

In addition to these major companies, K-Mart, Western Auto Supply, Heilig-Meyer Furniture and Zale's have indicated their corporate policy of financial support for local CCCS affiliated with the National Foundation.

RThought: If you grant credit in any form and you do[n't] understand what a Consumer Credit Counseling Service mea[ns] to people in your trading areas, you should be dictating your letter to Bob Gibson right now.

PERHAPS STOCKS WILL TRADE AT BOOK VALUE

Business Week each year, at the end of the year, publishes a list of major companies (880 in the December 31, 1979 issue) with such information as the recent price, book value, dividend rate and yield, change in market value over the year, and earnings for last year, the current year and the concensus estimate for the coming year.

RT is always interested in the relationship between book value and market value—because so many privately held retailers believe that their stock is worth much more than book value. They think this is what happens to publicly traded securities.

In making such a comparison one must keep in mind that the stock market values **only minority interests**—the price at which very small portions of the stock change hands each day. In the course of 1979 most of the stocks listed showed total trading of less than 20% of the shares outstanding. At the other end, only 24 (3%) traded more than the total number of shares outstanding, led by Bally Manufacturing at 282% (benefiting from the speculation as a result of opening gambling in Atlantic City—Bally makes slot machines).

What was the relationship between book value and market value at the end of 1979? The table below shows the distribution of this relationship, with market value expressed as a percentage of book value. The tabulation was for all companies listed, food retailers, other retailers and all retailers:

Market Value In This Range Of % To Book Value	The Total List (880)	All Retail Stocks (75)	Non-Food Retailers (53)	Food Retailers (22)*
0-49%	9%	9%	9%	9%
50-69%	15	17	17	18
70-99%	26	22	23	18
100-149%	27	20	21	18
150-249%	18	27	23	37
250% and over	5	5	7	0
Total	100%	100%	100%	100%
Median %	100%**	107%	102%	114%

*Too small a number to have significant meaning at each range.
**Coincidence that median ratio is 100% of book value.

What does all of this show? Merely that retail stocks at the end of 1979 were not much different from the mass of major corporate stocks. And that food retailers, despite their complaint about a low return on net worth and small margins as a percentage of sales, may be doing a bit better than other retail stocks or the bulk of the market.

There are two simple formulae to determine what it takes for a stock to sell at book value. If you want to determine what return on equity is necessary for a given price/earnings (P/E) ratio, divide the P/E into 100. For example, if you assume a 6 times P/E (typical for retail stocks), then you need a 16.7% return on ending equity to sell at book value.

If you want to determine the necessary P/E ratio for a given return on equity, divide the return into 100. For example, if you are making 14% on ending equity then you need a 7.14 P/E for the stock to sell at book value.

In case you are interested in the high and low ratio stocks, here they are:

Lowest ratio to book value:

General List	Keystone Consolidated Industries	18%
	Uniroyal	18%
	Chrysler	19%
Food Retailer	Borman	42%
Non-Food Retailer	Zayre	38%

Highest ratio to book value:

General List	Schlumberger	640%
	Smith-Kline	620%
	Intel	493%
Food Retailer	Super-Valu	233%
Non-Food Retailer	Wal-Mart	389%

Note: All the ratios above are slightly overstated because the book values used are for financial reports dated up to 12 months prior to the stock price and book values have increased by the amount of retained earnings in excess of dividends paid.

RThought: Things could be worse. Most financial analysts are deploring the extremely low price-earnings ratio of the market in general and reporting that "common stocks are cheap." Let me make the following generally accepted assumptions:

1. The market anticipates the future and is already reflecting the recession that has been announced for more than 2 years.
2. The traditional price/earnings ratio is higher than that prevailing during the past 2 years.
3. Retail operators will continue to be able to respond to changes in the economy (inflation, changed pattern of spending, impact of fuel shortage on shopping patterns, competition, high interest rates) which tend to impact all retailers and yet will still produce profits in the general range of those produced over the past 2 or 3 decades.

Then one can assume that retail shares are more likely to advance than decline during 1980.

SHORT SHORTS

Are these the downtown rents of the future? According to the Australian FINANCIAL REVIEW, the recently opened Centrepoint Mall, 6 remodelled buildings in Melbourne adjacent to Myers Emporium and Buckley and Nunn department stores, Katies women's specialty store and G. J. Coles variety/department store, had 90,000 square feet at $35 to $150 ($40 to $165 US) per square foot per year! Inexpensive space nearby runs $US 11 to $US 100 per square foot. And the Retail News Letter of the International Association of Department Stores reports that for the Claridges Shopping Arcade in the Old Claridge Hotel the rents are running from $90 to $150 plus common area charges! In London, on Oxford Street where 294 stores did £1.5 billion (Roughly $3.0 billion) in 1978 rents now run £30 to £150 ($260 to $300 US) per square foot per year—with few vacancies. Hong Kong and Tokyo are higher!

Does Hechinger's, the World's Most Unusual Lumber Yard, break up families? They might, according to one unsigned "suggestion" from a customer: "Since my husband can browse for hours in your store, and he always takes me there on the way home from work when I'm starved, I think the least you could do for us harried wives is have a lounge with snack machines in it. It could prevent a divorce some day."

CREDIT OFFICE RATING

You can tell that Christmas was coming and that sales were peaking—because the number of Honor Roll stores suddenly dropped.

HONOR ROLL

Liberty House	3.0	Ivey's	3.6
Montgomery Ward, Houston	3.5	Altman's	4.0
Gimbel's	3.6	Mervyn's	4.0

CREDIT OFFICE RATING

Information From Reporters	OCT.-NOV. 1979 No. of Reports	OCT.-NOV. 1979 Days to Bill Average	OCT.-NOV. 1979 Days to Bill Range	AUG.-SEPT. 1979 No. of Reports	AUG.-SEPT. 1979 Days to Bill Average	AUG.-SEPT. 1979 Days to Bill Range
B. Altman, (NY)	1	4.0	4	1	5.0	5
Battelstein's, Houston	1	14.0	14	–	–	–
Bloomingdale's, (NY)	2	6.5	6-7	–	–	–
Bonwit Teller, (NY)	1	8.0	8	–	–	–
The Broadway, (S. CA)	1	5.0	5	–	–	–
Bullock's, (S. CA)	1	5.0	5	1	6.0	6
Bullock's, (N. CA)	4	5.8	4-7	3	6.3	6-7
Capwell's, (N. CA)	3	5.0	5	8	5.0	4-6
Foley's, Houston	3	8.3	5-11	3	10.0	8-11
Grodin's, (N. CA)	2	6.0	6	1	4.0	4
Gump's, (N. CA)	3	15.6	14-17	2	12.0	8-16
Hasting's, (N. CA)	1	10.0	10	–	–	–
Hudson's Bay, Calgary	2	5.5	5-6	–	–	–
Joske's of Texas, Houston	2	8.0	8	–	–	–
Liberty House, (N. CA)	2	3.0	2-4	3	3.3	2-4
Livingston Bros., (N. CA)	3	5.3	5-6	4	6.5	6-7
Lord & Taylor, (NY)	2	10.5	10-11	1	6.0	6
Macy's, (N. CA)	5	4.2	4-5	6	4.0	3-5
I. Magnin, (N. CA)	6	4.7	4-5	3	4.3	4-5
May Co., (S. CA)	2	6.0	4-8	–	–	–
Montgomery Ward, Houston	2	3.5	3-4	2	4.5	4-5
Montgomery Ward, (N. CA)	1	6.0	6	3	7.0	4-11
Penney's Houston	1	8.0	8	1	9.0	9
Penney's, (N. CA)	2	6.5	6-7	–	–	–
Penney's, (S. CA)	1	7.0	7	–	–	–
Penney's, Philadelphia	2	7.0	7	1	6.0	6
Sakowitz, Houston	1	7.0	7	1	6.0	6
Saks 5th Ave., (NY)	5	9.4	8-11	3	7.0	5-8
Sears, Houston	2	4.5	3-6	–	–	–
Sears, (N. CA)	5	6.4	5-9	7	5.6	4-8
Wanamaker, Philadelphia	2	5.5	5-6	1	5.0	5
Weinstock, Sacramento	2	5.5	5-6	2	5.5	5-6
TOTAL	73	6.6	2-17	57	5.9	2-16

Information From Stores	OCT.-NOV. 1979 No. of Reports	OCT.-NOV. 1979 Days to Bill Average	OCT.-NOV. 1979 Days to Bill Range	AUG.-SEPT. 1979 No. of Reports	AUG.-SEPT. 1979 Days to Bill Average	AUG.-SEPT. 1979 Days to Bill Range
Carlisles, Ashtabula	2	5.5	5-6	2	6.0	5-7
Gimbels, Philadelphia	36	3.6	3-5	36	3.6	3-5
Holman's (N. CA)	7	9.3	7-11	11	6.8	5-9
Iver's, (S. CA)	10	9.0	6-11	5	6.6	5-8
Ivey's, Carolinas	20	3.6	3-6	20	5.5	3-8
Levy Bros., (N. CA)	8	4.5	3-6	8	4.2	3-7
Mervyn's, (N. CA)	20	4.0	3-6	20	4.1	4-5
Ross Stores, (N. CA)	4	5.8	5-8	4	5.3	4-7
Waldoff's, Hattiesburg	1	12.0	12	6	11.7	10-16
Wineman's, (S. CA)	3	4.7	4-5	2	6.5	5-8
TOTAL	111	4.8	3-12	114	5.1	3-16

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.

WHY RT PUBLISHES ADDRESS AND SUBSCRIPTION COSTS: RT gets ideas from other publications and feels that readers may want to obtain the complete document. RT is always annoyed when a citation is given without an address and often spends hours tracing down the source. The publication quoted does not know that it is being cited and RT gets nothing beyond the good feeling that comes from plugging a good source for RT readers.

RATIO OF NEWSPAPER CIRCULATION TO HOUSEHOLDS–IT VARIES WIDELY

Sales and Marketing Management (October 29, 1979) reported, for the 50 biggest newspaper markets, the ratio of daily newspaper circulation to households–expressed as a percentage. They caution that in cities with more than one newspaper, this can be deceptive because of duplication. But it still points out some wide variations.

The 5 top cities were:

Cleveland	93.8
Kansas City	90.3
Philadelphia (1)	82.8
Milwaukee	81.1
Buffalo	80.7

(1) I thought **everybody** reads the Bulletin!

The bottom 5 cities were:

Anaheim-Santa Ana-Garden Grove	35.1
Riverside-San Bernardino-Ontario	39.1
Miami	43.7
Los Angeles-Long Beach	45.8
Des Moines	46.8

RThought: 4 of the 5 bottom cities are among the fastest growing areas–with massive in-migration. Southern California and Miami both have extremely successful newspapers, ranking in the top of 10 nationally for local retail advertising. And they don't reach the percentage of homes that are reached in the older metropolitan areas listed as the top newspaper markets.

WHICH LOBBYING ORGANIZATIONS ARE MOST EFFECTIVE?

The University of Chicago recently made a study of the lobbying organizations working with the Federal government. From that study they ranked the top 10. Here they are:

1. AFL-CIO
2. Common Cause
3. U.S. Chamber of Commerce
4. National Rifle Association
5. American Petroleum Institute
6. National Association of Manufacturers
7. American Trucking Association
8. American Medical Association
9. Consumer Federation of America
10. Business Roundtable

RThought: I guess the odds are about normal–8 dedicated to business and 2 dedicated to little people (Common Cause and Consumer Federation of America). Perhaps it is these two consumer groups that really speak for the retail industry–since none of the retail lobbying groups made the list. The surprising one–which should cause retailers to reflect a bit–is the Consumer Federation of America. It operates on a budget about 1/10th that of the smallest business organization listed. Maybe that says something for the quality of the product they are peddling. Tennyson seemed to know what made them equal to the big ones when he wrote "My strength is the strength of ten, because my heart is pure." (Sir Galahad, Stanza I)

CREATIVE ACCOUNTING I

We thank Deloitte Haskins & Sells for a new balance sheet account–among current liabilities they put "Excess of outstanding checks over funds on deposit" on the balance sheet of the Consumers Cooperative of Berkeley as of 9/29/79. In California it is a criminal offense to knowingly issue checks against insufficient funds.

CREATIVE ACCOUNTING II

Wetterau Incorporated is to be congratulated on their first quarter of FY 1980, ending June 30, 1979. But they certainly demonstrate innovative financing methods.

Their cash entry shows $1,586,000 including $1,500,000 in temporary investments, leaving them with $86,000 in cash (probably less than their petty cash funds). Under liabilities they show an entry of "Checks outstanding, net of deposits $10,758,000." June 30th was a Saturday so Friday and Saturday receipts would bè outstanding. The daily sales rate was $3,236,000. A rough guess at the overdraft on their books is $17 million.

WHAT MAKES HIGH PROFIT STORES

The National Retail Hardware Association annually publishes operating statistics for 3 groups of stores–hardware, home center and lumber/building materials.

They publish an "all stores" figure and a "high profit" figure. The high-profit figures are the average figures for the one-third of the stores reporting the **highest profit on investment** (return on equity).

It is interesting to see where the differences arise. Let us look at the lumber/building materials group:

	All Stores	High Profit	Diff.
Profit on investment	26.33%	47.25%	+70%
Margin	25.27	25.79	+ 2%
Payroll and employee expense	13.06	12.42	- 5%
Total operating expenses	21.43	20.09	- 6%
Net operating profit	3.84	5.70	+48%
Sales per person employed	$99,274.00	$108,032.00	+ 9%
Sales/square foot selling space	390.05	462.97	+19%
Stockturns	5.19x	5.78x	+11%
Inventory/square foot	$ 56.11	$ 62.78	+12%

RThought: It seems like just a series of small things–which add up to "good management." The margin is only slightly higher–indicating that they don't buy too much sharper and they sell at competitive prices. Payroll percent is slightly lower–and each person handles a little more sales. The stock turned faster, it is stacked higher on the floor and space is used more intensively. But except for the major differences in return on equity and profit rate on sales, the averages differ by less than 20%.

If you want to study these excellent reports, write to Research Services Department, National Retail Hardware Association, 770 North High School Road, Indianapolis, IN 46223. The reports are available at about $15 each.

THERE IS NO FOOL LIKE A RETAILER WHO GETS A CHANCE TO BE QUOTED

One of the few consistent and intelligent positions maintained by most retail organizaitons is opposition to import quotas and high tariffs. Every time that issue comes up they round up the top people of the major chains and innundate Congress. There is no stronger supporter of free trade than a retailer goring someone else's ox. (Of course, some of those top retail figures may get together in secret meetings agreeing on markups and pricing of merchandise or stopping discounters from getting name brands just to reduce the competitive impact on their own operation.)

Thus it was that a smart PR agency, HIll and Knowlton, manipulated executives from top retail firms into making outlandish statements on the holocaust that will follow the deregulation of the nation's trucking industry. And apparently that news release was sent to all the NRMA members.

Let me introduce you to some of the most knowledgeable people about the trucking industry and what they say will happen under deregulation.

Wayne Messenger of Carson Pirie Scott says "I'm sure service would deteriorate and costs would skyrocket." Carol Skowron of May Company's Strouss Stores says "Deregulation will make it difficult for retailers to plan prices or sales. Retail stores will bear the brunt of consumer displeasure." Does she mean that her store management is dependent upon a regulated truck industry for their pricing?

J. Harvey Cummings of Woodward & Lothrop estimates that deregulation would immediately raise department store transportation costs by as much as 20%. No proof, of course, although I suspect that the regulated truck industry will shortly apply for a 20% increase that somehow will be wonderful if granted to regulated carriers.

You know where Carter-Hawley-Hale's Thalhimer Bros. gets much of their merchandise according to Sam Madde? From "Hole in the Wall, U.S.A.," that's where. George Bradley of Higbee Co. discloses the internal operating weaknesses of his company–if merchandise doesn't arrive in time for advertised sales "you're in trouble under the fair trade laws"(Note: These have been repealed).

RThought: Hill and Knowlton made the entire department store industry look like a bunch of idiots–and the executives in charge of traffic departments fell for the bait ("We will put your name in print").

Some of the CEOs of the companies quoted ought to have a little talk with their traffic departments and help the traffic managers straighten out their thinking.

RThought: RT does not suggest that stores follow the Macy or Saks 5th Avenue policy whereby senior executives live in fear of the press. Merely ask them to put their brain in gear before speaking for publication.

A PEEK AT APARTMENT DWELLERS

Apartment Life in their October 1979 issue (1716 Locust Street, Des Moines, IA 50336 $1.25/issue, $9.97/year–it was cheaper last time I recommended it) reported on the replies to the 4-page questionnaire in their May issue. **More than 50,000 people responded!**

Just to give you a picture of their readers, the replies showed:

Age:	18-24 – 28%; 25-34 – 55%; over 35 – 16%
Living:	Alone – 39%; Married – 36%; Together – 11%; Roomate – 10%; Group – 4%
Education:	High school – 15%; Some college – 35%; Graduate – 45%

What did they tell **Apartment Life** that might be of interest to a retailer? 55% find living together more attractive than they did 5 years ago–and 62% find marriage more attractive. 57% are less concerned about divorce and 75% are less worried about sex than 5 years ago.

88% of both men and women said they did not feel uncomfortable about women taking more initiative in business or personal relationships. 66% (72% of the married couples) said they shared home jobs. 10% thought having children was not a good idea, 40% were putting off the decision and 53% said they would likely have children after they were 30.

84% said they were more involved in homes and 52% found their home a haven from a chaotic world. 85% are putting more money into furnishings and 78% want to build things themselves. Yet 82% wanted more information about furniture styles. In 1975 most saw themselves renting forever but now 67% want some form of home ownership. 61% (72% of those living in a city) want articles on how to buy and fix up old homes.

73% say that they are cooking dinner at home more often. 67% go to a movie once a month plus 20% who go once or twice a week compared with 27% nationally that go once a month. 79% go to restaurants frequently.

RThought: Are you catering to this market? Do you tell young customers about furniture styles? (I haven't seen any furniture ads in years that did not presume that customers knew everything the buyer knew.) Do you carry the 5 books they reviewed on how to buy and remodel old homes? When was your last cooking school? Have you run classes on how to buy old homes–and what to do with them? (This could be either a department store for a half hour at noon downtown or a home improvement center on a weekend.)

SHORT SHORTS

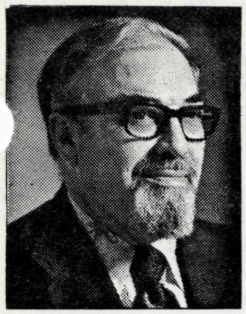
Is Fairchild Books dishonest? I received a statement dated October 31, 1979, showing a transaction on October 16, 19[illegible] identified only by invoice number. I had not received [illegible] invoice or merchandise. On inquiry it proved to be a billing for the 1979 Fairchild Financial Manual of Retail Stores–which was not mailed until late November and received December 10, 1979. They blame their computer program. I blame their ethical standards that countenance such a program. (Note: I received an 11/30/79 statement showing I was past due!)

WORDS TO PLAN YOUR TIME BY

RT is indebted to **Bits & Pieces** (12 Daniel Road, Fairfield, NJ 07006 $8.28/year, cheaper in quantity) for finding the following quotation from Grenville Kleiser:

> **THERE are many fine things which you mean to do someday, under what you think will be more favorable circumstances. But the only time that is surely yours is the *present*.**
>
> **Hence, *this* is the time to speak the word of appreciation and sympathy, to do the generous deed, to forgive the fault of a thoughtless friend, to sacrifice self a little more for others.**
>
> ***Today* is the day in which to express your noblest qualities of mind and heart, to do at least one worthy thing which you have long postponed, and use your God-given abilities for the enrichment of some less fortunate fellow traveler.**
>
> ***Today* you can make your life significant–and worthwhile. The present is yours to do with as you will.**

Long ago I got tired of writing good thoughts about people to their spouse after they died. Now when I have good though[illegible] I send them to the object of my thoughts, hopefully wh[illegible] they are still alive.



RETAILING TODAY

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POWER TO THE SENIORS

In the 1978 elections, over 60% of the people over 55 voted compared with 18% of the 18-19 year olds, 26% of the 19-24 year olds, 34% for 25-29, 43% for 30-34 and 50% for 35-44.

What this means is that 29% of persons of voting age are over 55 but they cast 42% of the vote!

It is good to keep this figure in mind. Though retailers tend to cater most to the "under 45" group who are bigger spenders for clothing, buying their first homes, raising their families–neglect by the retailers brings retaliation through the voting power of the "over 45" group who are concerned about being protected from unethical conduct.

The "under 45" group tends to shrug their shoulder, when one asks why they don't work against abuses in our economic activities. They say they are convinced that it is futile to fight the system. In the over **55** group, more than 10% belong to a very active organization, the AARP/NART (American Association of Retired Persons/National Association of Retired Teachers) through which they are moved to political action aimed at benefits for themselves.

RThought: Soon retailers will be saying, "Some of my best friends are over 55!"

ERRATA–THEIRS!

It is satisfying to see that the Federal Government is finally recognizing the errors of their ways–of inaccurate reporting of the Cost of Living. RT readers have long been aware of this weakness–which has been carefully disregarded.

My namesake, Alfred Kahn, told a House Budget Committee that the Consumer Price Index overstates the annual inflation rate by about 2 percentage points. Janet Norwood, Commissioner of the Bureau of Labor Statistics agrees with Kahn and recently released five alternative ways of handling the costs of buying new homes, resulting in lowering the current reported inflation rate by amounts ranging from .1 percentage point to 2.1 percentage points.

This still does not adjust for the failure to measure costs for the "prudent man" who reduced the impact of higher gasoline prices by making his next car one that gets better mileage, or who bought double-knit suits when wool prices went sky-high, or who switched to chicken and pork when beef got too high. Nor does it adjust for the prudent housewife who switched from frozen to canned or fresh peas or changed her shopping from a department or specialty store to a discount or catalog/showroom store.

In another area of "Federal Errata," Secretary of Labor Marshall is admitting that the recent increase in the minimum wage from $2.90 to $3.10 was not only inflationary but that it compounded the problem by further eliminating from the labor market those people with little or no skill and who find it most difficult to obtain employment. Thus we find the minimum wage increasing inflationary costs to employed workers plus raising the cost of welfare through higher unemployment taxes (paid by the employer but reflected in prices) and needed federal-state-local taxes for welfare (also reflected in prices).

Jerry Ellis - Bldg #19

RThought: Perhaps now that the administration is admitting these past mistakes and mis-measurements they will do something to correct them. There is one more undesirable increase in the minimum wage scheduled for January 1981 to $3.25. It may be perfectly timed to come in the middle of the depression promised by the economists ever since the first half of 1977.

HOW HONEST IS YOUR BANKER?

Representative Henry Reuss reported to the Congress of the United States (Congressional Record 11/16/79, page H10974) that Clarence C. Barksdale, Chairman of the First National Bank of St. Louis, recommended that bankers should try to avoid reporting their high profits in 1979 by "managing" their year-end profit figures through such bookkeeping measures as boosting loan loss reserves, taking bond losses, or expensing out public relations costs. He also suggested that they undertake extra-special public relations and advertising programs to reduce earnings.

RThought: There are some retailers who remember the day when a local banker was looked up to and respected. Fortunately, few retailers are being embarrassed by their high 1979 profits, so perhaps they have no temptation to do more than adopt LIFO.

PRIVACY AND THE RETAILER

Privacy Journal (Dec. 1979, Box 8844, Washington, D.C., $49/yr.) reports on two decisions against retailers in suits brought by store employees. A bookkeeper for 6 years with S. S. Kresge (now K-Mart) reported at $150 cash shortage in 1974. When more money was found to be missing, a store security officer asked her to "voluntarily" take a lie detector test although Michigan law banned tests as a condition of employment. Thinking others would be tested (they were not), she signed. She was taken to a hotel room in an unsafe part of town and questioned by an examiner she had never met, who asked pre-test warm-up questions on very personal subjects and who kept no written record of questions asked. When he reported she was "deceptive" she was fired. In 1979 the courts awarded her $100,000.

At Lord & Taylor's (Associated Dry Goods) in Washington, D.C., a store employee was spied on through one-way louvers while in a dressing room. They observed a blouse in her purse which she claimed she had brought to the store to exchange. When detained, her purse was searched, her wallet searched and cash counted, and she was forced to strip to her underclothes for a body search. The court held the conduct a violation of her 4th Amendment Rights and Lord & Taylor was ordered to pay $17,000 actual damages and $34,000 punitive damages.

AN OUTSTANDING REPORT ON CONVENIENCE STORES

John Roscoe has outdone himself with his Ninth Annual Dollars Per Day Survey of the Small Food Store Industry. Others may call this the "Convenience Store" industry but small food stores is a more accurate description.

Roscoe started this survey in 1971 because he felt that with small stores so uniform in size and merchandising (a 40' x 60' store is considered standard) that companies could be compared by looking at their net profit per store per day. He even set a goal of $30 per store per day—at a time when the 10 public companies reported $14.45. They reached $33.02 per day in 1979, with the winner, Circle K, showing $47.53 per day. But they would have needed $50.00 in 1979 to produce the equivalent of $30.00 per day in 1971.

A special section analyzes the contribution of gasoline sales to profits. Key sections of the published annual report for each of the 13 companies are included together with an interesting history of each firm.

I strongly recommend that anyone interested in convenience stores—I mean small food stores—should write to John Roscoe, 391 Castle Crest Road, Walnut Creek, CA 94594. The cost is $50 and say that Bob Kahn sent you.

HELPING NRMA

RT is always happy to help the National Retail Merchants Association clarify their positions. They truly need help from many sources.

The following letter was received from Sheldon Feldman, formerly of the Federal Trade Commission, and now of the law firm of Weil, Gotshal and Manges, who writes (and often presents) the positions taken by NRMA before Congress and Federal agencies:

"Your December 1979 issue of **Retailing Today** has just come to my attention. I believe that a response to your article entitled 'The Two Faces of NRMA' is warranted.

"Your article was factually correct, but was incomplete and therefore misleading. As counsel to NRMA I recently testified before the Senate Small Business Committee on behalf of NRMA. At that time, NRMA did advocate legislation which would permit a business to receive a copy of its file maintained by a commerical reporting agency. In 1975 NRMA did not support legislation which would have afforded the same right to consumers. Two comments are offered in explanation for this apparent inconsistency. First, since 1971 the Fair Credit Reporting Act has afforded consumers substantial access to their files, among other rights, whereas a business has no such legal rights. Second, when the opportunity to address this issue next arises, it is anticipated that NRMA will not oppose granting consumers the right to receive a copy of their file from the consumer reporting agency. **There is thus no inconsistency, but rather a change in position after the passage of four years.**" (Emphasis added. RT is not aware of any public announcement of this change in position which could have occurred at any date up to the day Mr Feldman wrote his letter.)

"As your article noted, I did mention to the **Privacy Journal** that an adverse commercial report can have a greater impact upon a business than upon a consumer. This is because of the fact that consumers have extensive access and dispute rights under FCRA, and also because the adverse consequences for the business (i.e., a denial of credit) can be ruinous whereas that is not generally the case when a consumer is denied credit. I also pointed out, but the **Privacy Journal** failed to print, that NRMA no longer opposes the consumer's access to a copy of the report from the consumer reporting agency under the FCRA."

RThought: One would hope that Mr. Feldman would review his statement "... the adverse consequences for the business (i.e., a denial of credit) can be ruinous whereas that is not generally the case when a consumer is denied credit." RT continues to feel that NRMA views on the impact of denial of credit to consumers are greatly influenced by the fact that Messrs. Sheldon Feldman, James Williams, and others who make such decisions have never had to face the problem of a complete denial of consumer credit—and particularly when it is based on inaccurate information submitted by NRMA members or other retailers.

HOW MANY CHANGES CAN J. MAGNIN STAND?

After Cyril Magnin and his family (Don, Jerry, Ellen Magnin Newman and Walter Newman) built JM into one of the first specialty chains aiming at a precise market, the company was acquired by Amfac. The family left, except for nominal participation by Cyril and Ellen. So-called "professional management" rotated in and out with each turn of the calendar. Target markets changed (losing old customers faster than new customers were gained), advertising changed, even store service changed (or disappeared). JM was "improved" almost to the border of bankruptcy. Amfac finally sold to two investment groups and a J. C. Penney executive. JM was "improved" downward some more. As a "benefit" to customers, the accounts receivable were sold to a financing organization! Now Morton Huff, with strictly department store background, will improve it some more. But in fewer units—the additional units to be closed were not identified. Cyril and family built a strong basis—to survive this long. (Note: At publication date, Huff left after 4 months to become President of Gimbels-New York.

DOES INTEREST COST HAVE MUCH TO DO WITH PROFITS?

When the prime rate goes up, everyone begins to worry about the cost of money—interest. Suddenly all the writers (except RT, of course) are discussing how the high cost of money will suddenly change business decisions.

It really shouldn't. The decision on how much investment you need in inventory depends upon your rate of sales, your customers expectations of merchandise availability in your store, and the seasonal changes in your particular area. The decision on how much money you should have invested in receivables depends upon the needs of those customers who you know will pay you—so that you can provide the means for them to provide you with a flow of gross margin dollars. (The idea that you can save money by substituting bank cards is absurd—few banks have ever found it desirable to charge less

FAIRCHILD PUBLICATIONS—THE PORNO PAPERS

In the past RT has attempted to correspond with John B. Fairchild, Chairman and Chief Executive Officer of Fairchild Publications about the rising pornographic content of his publications. Such attempts have failed.

Fairchild Publications is part of Capital Cities Communications, Inc., which is approaching a half-billion in volume from newspapers, trade publications, radio and TV. Certainly it is not necessary for Fairchild to pander to prurient interests in order to survive.

Only a few manufacturers are currently involved although it appears that each new porno ad program draws forth another manufacturer that feels that this is the only way they can get business. If they are correct—and this type of advertising does improve their business—then it is a sorry comment on the capabilities and morals of executives controlling buying in our retail firms today.

In most cases the ads exploit women, a form of male escapism that is very much out of step with what our society should be. Our laws are increasingly restricting this exploitation. It seems strange that it is so eagerly accepted by department stores (RT is not aware of any subscribers to Fairchild Publications expressing their disgust to John Fairchild or ending their support by cancelling their subscriptions). Department stores cater primarily to women and one would expect department stores to be supportive of their major customers.

Let's review some of the advertising, starting with Men's Wear Magazine.

It is apparent that Bardon, Inc., which often has the inside front cover, is in the business of selling naked female breasts. That is the most obvious thing in their ads. More recently Hammonton Park Clothes, which RT long thought was a quality men's line, feels that the appropriate use for their suits is as a bath mat for a couple sharing a tub. In most areas of the country, people would look for bath mats in the domestics department rather than men's suits, but if the manufacturer thinks that is all they are good for, why should we argue with him?

Studio 54 thinks they have a great line with "Now everybody can get into Studio 54," showing naked men putting on jeans in Men's Wear and naked women putting on jeans in Women's Wear Daily. I presume that someone at Studio 54 is aware that most authorities recommend undergarments for health and sanitary reasons. Finding no objection from anyone in retailing, Studio 54 uses these same ads in Vogue and other magazines.

Jordache, without comment or objection, feels that their future is best served by illustrating their product on half-nude models, female mounted on male. Vogue, also, raised no objection to this ad.

The lingerie manufacturers appear to be in a race to see who can be most degrading to women. Some appear to be competing with Frederick's of Hollywood for that small section of the market to which F of H caters. This includes lines such as Maidenform, Bonnie Straus (who also feel that the best use for their garments is to throw them on the floor), Intimage, O.M.O.-Norma Kamali, and Lilly of France.

RT is pleased that the Maidenform ads run in Sunday magazine sections are, at least in Los Angeles, no longer showing the names of major department stores. RT believes that at least one major retail executive shares RT's feelings on this issue.

Some retailers now feel that they must enter the same contest. RT was most disappointed by the attitude of one Neiman Marcus executive defending the presentation of their "Bare Essentials" in their catalog.

Ralph Ginsberg, who has been jailed for publishing pornographic material, today uses less offensive nude females to push his **Moneysworth Magazine** then do the purveyors to men's stores and department stores.

RThought: Why is this a matter of concern to retailers? Most retailers deplore the declining standards in our society. They often quote (untrue) figures on the amount of employee theft and shoplifting to support their argument that individual morality has declined. In their own families they have faced problems of the next generation that doesn't share their ideas of responsible conduct.

Yet they appear in this area (as in some others, such as their willingness to cheat on their income taxes or permit their store to cheat on property and other taxes) to be participating in their own drive to lower moral standards.

If retailers want to discourage manufacturers from using such ads, they should seek other products to carry in their store. If they wanted to discourage John B. Fairchild from indulging himself in this money-making venture, they could stop buying his publications. Retailers often argue that the cheaters and chiselers will be driven out of the market by consumers who refuse to buy their product.

Perhaps the reasons for the continued success of Bardon/Hammonton Park/Maidenform/Bonnie Straus/Lilly of France, et al, is that they have accurately measured the moral standards of retailers in the United States today.

SHORT SHORTS

The office equipment people amaze me. Royal has "The Self-Correcting Typewriter." With a little more research they should have been able to avoid the errors in the first place! And everyone is talking so much about "The Office of the Future." Who are they afraid of? The Office of the Past?

How to trigger Levitz's Computer: Have the post office relocate and assign new numbers to your post office box. That happened recently to RT and Levitz sent a form letter stating, "Welcome to your new home . . . ." I hated to tell them I have been here for 25 years!

BUSINESS AND GOVERNMENT—AS SEEN BY AN EXPERT

George P. Shultz has had three outstanding careers. In academia he became Dean of the University of Chicago Graduate School of Business. In government he served as Secretary of Labor and the Secretary of the Treasury. In business, he is now the President of Bechtel Corporation, probably the largest privately held corporation in the United States.

In May 1979 he spoke at the Symposium on Business and Government at Harvard—and this talk was adapted to an article in the Fall 1979-80 Stanford GSB, the publication of the Stanford Business School ($2/copy, Stanford Business School Alumni Association, Stanford, CA 94305).

A thoughtful and constructive article, it also displayed great humor. I quote: "One of the first lessons I learned in moving from government to business is that in business you must be very careful when you tell someone who is working for you to do something, because the probability is high that he will do it. In government, no way!"

But his serious advice is even more important:

> **"While in the government, I tried to see all comers insofar as time allowed, and I found a great variety among those who visited me from business. An important dimension of variability involved the homework done by the visiting businessmen. Many came in very poorly prepared, with only a complaint and without real substance to back up their points or practical suggestions for dealing with them."**

RThought: There is sound advice for every major executive who, at some time, may be called upon to work with the government on a problem of his firm or industry. One of the reasons that so many businessmen fail in working with the government is that they are accustomed to an autocratic heirarchy where most action results from orders rather than persuasion. Those coming from more democratic structures (labor unions, consumer groups, professionally-led trade associations) reach their spokeman position through the process of persuasion rather than domination.

When businessmen can meet with government, thoroughly prepared, their problems will be dealt with more satisfactorily. In every business report, management requires that the problem be defined, the alternatives considered and a recommendation made and supported. For some reason they don't think those steps are necessary when bringing a complaint to government.

RThought: Perhaps one of the reasons that Stanford has passed Harvard as a business school is that they have found a way for a man like George Schultz to serve as a professor of management and public policy while still holding a full-time position in industry.

SHORT SHORTS

The decline of Sears is analyzed expertly in the January 1980 issue of CHAIN STORE AGE General Merchandise Edition. Send $1.75 to Lebhar-Friedman, 425 Park Avenue, NY NY 10022 for your copy.

Light penetrates the darkness at General Motors. Henry Ford II recently observed that "often, businessmen have refused to respond to what's valid in the critic's case." GM President Elliott M. "Pete" Estes said the 1979 fuel shortage and surging prices will have a lasting impact on the auto industry—and it means the industry can now cater to consumer demand for fuel-efficient cars rather than to government dictates.

RThought: Perhaps Mr. Estes would contemplate two thoughts. First, we would now be in a much better economic situation and not yet facing a fuel shortage if General Motors had been a little more concerned about fuel-efficient cars 10 years ago when Volkswagon, Datsun, Toyota, Honda, Fiat, and other fuel-efficient cars started taking 40% of the California market and 20% of the U.S. market. Second, Mr. Estes might ask if he is not the prototype for Henry Ford's observation that "often businessmen have refused to respond to what's valid in the critic's case" – whose arguement was that the oil supply was finite and car manufacturers should make fuel-efficient cars. The "free enterprise system" did not come up with the perfect market answer in the days **before** government controls as Mr. Estes' predecessors argued it would.

RThought: Do retailers listen any better?

Like wondering which twin has the Toni, do you wonder, "Is he job hunting?" According to the National Personnel Associates you have good reason to wonder. They found that 29% of managers earning between $14,000 and $75,000 were currently circulating a resumé! NMRA circulated this information to their members.

Gemco's little helpers. The GEMCO Courier (mailed monthly to all members) read: "'**Return-a-Cart Contest.**' You may win a Zenith 12" diagonal black and white portable TV. For each cart you return to the reception desk, you will receive a ticket for the current month's drawing. Entries limited to members and their families; number of tickets to five (5) per person per day. Check the list of winning numbers each time you visit GEMCO." Just think, thousands of carts returned for $100 or less per month!

The stupidity of computer programmers—House and Garden style. The form letter said, "Sometime during your subscription, you may wish to write to us. When you do, please refer to the File Number of your subscription. It will help us and the machines we command in pin-pointing a much faster answer for you." The number to be jotted down in this case was:

302604 KMA 1380+099 A210V17022 43 05 10 0018002

As easy to remember as your telephone number!

WHY RT PUBLISHES ADDRESS AND SUBSCRIPTION COSTS: RT gets ideas from other publications and feels that readers may want to obtain the complete document. RT is always annoyed when a citation is given without an address and often spends hours tracing down the source. The publication quoted does not know that it is being cited and RT gets nothing beyond the good feeling that comes from plugging a good source for RT readers.

than the cost of their service–which includes a return on their money almost equal to your loan interest rate.)

The need for investment in new branches and for remodelling of old ones is a long-term need that should be approached in an orderly manner rather than turned on and off in synchronization with low or high interest rates. With most large lending tied to prime, interest rates are in the same position as the weather, about which Samuel Clemens is reported to have said "If you don't like the weather, wait a minute."

I was reminded of this when one of the trade magazines ran an item reporting what the Wall Street analysts were recommending in the way of retail stocks–always a good way to fill a few inches. It appears that the analysts are picking on Penney this year–the item said "As for Penney, most analysts are avoiding it, noting that it has been hurt by high inventories and the high interest costs needed to support them."

Why all this emphasis on interest? Very simple. Interest is cited separately in the published income reports so everyone can see the change from year to year. For the $10.8 billions in sales for Penney's for the year ending January 1979, the income statement provides the following enlightenment:

Cost of goods sold, occupancy, buying and warehousing costs	$7,650,000,000
Selling, general, and administration	$2,522,000,000
Interest, after deduction of income before income taxes of J.C. Penney Financial Corporation.	$ 208,000,000

That $208 million is a figure that analysts can really analyze! It represents very slightly over 2% of the other costs reported. Forget the 98%–concentrate on the 2%.

They can dig out some other information such as depreciation, property write-offs, property acquisitions, some costs of credit operations, advertising expense and rent expenses–but each of these has confused meaning in light of the manifold Penney operations.

RThought: If you wonder why changes in the prime rate have such a dramatic impact on stocks it is because so many Wall Street analysts have to write so much every day–and this is one of the few things they can use as a basis of a "theory."

Did you ever read an analytical report that questions why Penney had a loss in Treasury or identified the impact of the pre-opening and opening costs of the mail order center in Reno or the actual cost of markdowns that come from excess inventory or the reduction or improvement of initial markon? Never? Well, hardly ever.

There is a principal here similar to the Parkinson laws–the less information you give analysts, the more they will concentrate their writing on the narrow field in which you do provide figures; with the ultimate rule being that when you give them no information at all, they will do all of their writing on nothing!

SHOULD YOU SELL PERSONAL COMPUTERS?

There is no doubt that general merchandise retailers have carved out a significant position in the distribution of better pocket and small desk calculators. In the early days of calculators, stores like Korvette's and Alexander's were battling for the first pocket one to sell under $100 (like $99.95!). The manufacturer that first reached that goal went broke.

Stores like Macy*s of California started out with the deluxe Hewlett-Packard line, selling at about $500.

That price is close to what personal computers now sell for. With the normal price erosion in the computer field as chips (miniaturized integrated circuits) are made more complex and produced in greater quantities at progressively lower prices, the complete $500 home computer is only months away.

Geyer's Dealer Topics for February 1979 (51 Madison Ave., NY, NY 10010, $2/single copy) had an article "Computer Retailers Agree: We All Still Have a Lot to Learn, A Lot of Growing to Do." It contained some excellent advice for department stores even though addressed to office equipment dealers.

For example, Rod Packer of Micro-Computing Research, suggests that you buy a computer and learn about it before selling them. Edward Faber, President of Computerland Corp., which has franchise stores around the country, points out that it only takes 90 days to develop a prototype and nothing has a product life of over two years.

The outlets are pushing for a 40% gross margin while the manufacturers claim such margins will force customers out of the market. If RT had to predict the future it would be that the price will come down soon to the point where a 40% gross margin will be possible without discouraging purchasers–who will then buy the 40% markup item for less at a discounter.

RThought: Many general merchandisers are too proud to admit that they don't know how to get into new product fields–and so they either avoid the product (letting someone else serve their customers) or they go into it and lose money. With the availability of franchises, one wonders why general merchandise retailers do not avail themselves of it.

Years ago a department store with a Western Auto franchise could have found out how to get into automotive product sales at a profit. More recently a True Value or Ace Hardware franchise would have put the general merchandise operator into the do-it-yourself/home improvement field on a profitable basis (RT knows a few smaller department stores that do have such franchises).

Home computers–which will become an item similar to color TV–should be sold through general merchandise outlets and now is the time for such stores to become familiar with the industry. Otherwise Radio Shack, Computerland Stores and Byte Shops will have a corner on the market–and the customer's confidence.

SMART OPERATORS, THOSE CHRISTMAS TREE LIGHT MAKERS

From CPSC MEMO for December, 1979, the publication of the Consumer Product Safety Commission, the following is offered without comment:

> "At one time CPSC considered mandating a Federal safety standard for miniature lights because of faulty designs and workmanship that posed problems of electrical shock and possible fire in the home. Learning of the Commission's intention, tree light manufacturers and importers began a cooperative effort with Underwriters Laboratories (UL) to revise and strengthen an existing voluntary standard covering these electric lights.

"In so doing, UL incoporated virtually every performance specification for the lights which was on the CPSC drawing board for inclusion in a mandatory safety standard. UL's newly revised standard took effect in October 1979, and will apply to most miniature Christmas tree lights now in production and available to consumers during the holiday season of 1980."

COMMERCIAL BRIBERY

Faber Castell: If you see a lot of their staplers around–either in your stationery department or in your offices, see if you can find out who got the TV set. They are offering an RCA 12" Portable TV with 2 gross of their FC-17 model and and RCA 13" color portable with 5 gross. As is customary, they ask no disclosure to insure that the set goes to the company that pays the bill.

NAMES IN THE FTC

Montgomery Ward: An administrative judge ruled that Wards violated the Federal law by failing to give customers "ready access" to binders containing warranties by failing to post adequate signs in areas where Wards sold products covered by the warranty rules. (Note: It appears that Wards provided the material to the stores but the stores did not post the signs.)

SHORT SHORTS

The perfect warranty! For a very good two-magnet money clip I have used for years: "The Kash Klip is carefully handmade of selected genuine leather on the outside with a soft suede leather inner lining and is warranteed flawless. The Alnico-5 Perma-magnets are magnetized in our own plant and are guaranteed to retain their strength for the life of the clip or it will be replaced free of charge upon return of the unit. The Kash Klip Company." BUT–no address.

Remember when you thought major U.S. corporations tried to help America? As U.S. retailing feels the impact of reduced customer mobility as a result of the shortage of gasoline (and high prices) in the United States, keep in mind that Standard Oil of California reduced their refinery input for the first 9 months of 1979 by 2.2% while increasing the input in other western hemisphere countries by 19.1%, in Europe by 0.9% and in other eastern hemisphere countries by 4.9%. Great Americans, Standard of California.

A sure sign of a coming depression–Sperry and Hutchinson Company has cut their reserve for redemption of trading stamps. The third quarter report says "Our estimate that 95% of trading stamps issued will be redeemed is being revised to 90% for those Stamps issued in 1979 and subsequent years." This added $3.8 million to pre-tax 9 month earnings. But many stamp companies went broke in the 1930s when stamps long forgotten were brought in for redemption by families scraping the botton during hard times.

Mervyn's makes a strong appeal for part-time employees with the following box at the end of their ad:

> "Special note to homemakers: If you've been thinking about supplementing the household income with a part-time job–we'd like to talk to you! **No previous experience** is necessary . . . we think anyone who has managed a household is already well-qualified to understand the needs of Mervyn's customers."

GIGO Gifts? Programmers think they can do anything with a computer. Hear the story of Heal's Computagift as reported in a letter to London's The Sunday Times: "I have consulted Heal's Computagift, a computer installed in the store to advise customers on what presents to buy. I pressed the numbers indicating that I wanted a gift for my wife, revealing to the machine her true age, and generously adding that price was no object. The computer deliberated and delivered its choice. For £23.50, a black and gold weighing scale. I can just see her reaction to that on Christmas Day. Anyone who tells you the computer does not threaten man hasn't been to Heal's.

Once NCR was THE cash register. But times change. In 1978 NCR shipped approximately 30,000 point-of-sale registers against 10,000 for IBM. Projections for 1980 indicate that NCR will again ship 30,000–but IBM should reach 35-40,000. In the meantime, Data Terminal Systems has passed NCR on delivery of Electronic Cash Registers. Competition–thy name is change.

Making a guy feel old. There were 64 solid pages of class news in a recent issue of the alumni news of one of my alma maters–and my class was on the 4th page!

No wonder there are problems in the world today. Nobody can count. Even the retail trade associations are calling 1980 the start of a new decade. Those are the same people who are convinced that Christ was born in the year zero! Let us all count the years of a decade together–1, 2, 3, 4, 5, 6, 7, 8, 9, 10–and thus 1980 is the end of a decade. Too bad so many people are wrong. But it illustrates how few people question everything that is written–testing it against their accumulated knowledge.

Did you ever wonder how IBM got so big–without understanding simple arithmetic? At the NRMA January 1980 Convention, IBM retail consultant Paul Gibfried reported that the new IBM 3279 Color Terminal will "reduce search time by 400%!" Considering that there was only 100% to start with, "It's a miracle!", to quote Xerox's friar.

WORDS TO DELIVER AS AN INVOCATION

RT is grateful to Budd Gore for reporting in **Pure Gore** (No. 104, 12/15/79, Box 5561, Austin, TX 78761, $8.90/yr., **if you must subscribe**, says Budd) the invocation given by the Rev. Robert W. Golledge, vicar of Old North Church in Boston–from whence Paul Revere received his instructions–when delivering the invocation for the 100th Anniversary lunch for the F. W. Woolworth Company:

> "Help us to celebrate 100 years of F. W. Woolworth Company by profiting from a lien on your grace, and with portfolios filled with goodness and peace. Compound them daily to insure a block of your love, so that when we are summoned for our final inventory by whatever name we are known–Kinney, Richman, Woolco or Woolworth (Ed. note: What happend to Foot Locker, Susie's Casuals and J. Brannam?)–we may not be found overstocked or undersold, but accepted in thy Presence marked: Honest value. Amen."

RETAILING TODAY

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ROUTE TO

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JS&A vs FTC

I am sure that most RT readers have seen the ads of the JS&A Group in national magazines or the Wall Street Journal. JS&A stands for Joe Sugarman and Associates.

I am also sure that most RT readers are aware that FTC stands for the Federal Trade Commission–which doesn't advertise in any magazines, but which enforces many laws affecting retailing.

These two are now joined in battle–as was set forth in a recent JS&A ad headlined "FTC REVOLT," and, in more detail, in a booklet entitled "Blow Your Knee Caps Off" (for a copy, write to JS&A, One JS&A Plaza, Northbrook, IL 60062, and say "Bob Kahn sent me").

And now comes my disclosure of a conflict of interest. JS&A has been a client of Robert Kahn and Associates for more than half of its 8 year history and RT, which is published by Robert Kahn and Associates, has long been a supporter of the proper function of the FTC, but a critic of a number of their methods of operation.

Through my client relationship with JS&A and with the express permission of Joe Sugarman, I want to give you my view of what has happened because it illustrates the problems a small business can have with a staff person who has the power to use the authority of his agency in an abusive manner–compounded by the attitude of the agency that they must back up their staff person, right or wrong.

Let me start with a bit of history of Joe Sugarman and JS&A. Joe did not complete his electrical engineering course or ROTC at the University of Miami (where he paid expenses by writing ads for businesses catering to students) because the Army wanted him early for duty in the 1961 Berlin crisis–they drafted him! Following his career in "military intelligence" he returned to the Chicago area and centered his activities on advertising, particularly for political campaigns.

In 1971, he read about a small calculator (made by Craig–it did what $7 pocket calculators do today) that sold for $240. He tried to sell it by conventional direct mail. It failed. And then he tried direct response advertising in the Wall Street Journal, thus creating a completely new form of advertising–clear, long descriptions of highly technical products–what

THE EDITOR SPEAKS

I can prove to you that businessmen, and particularly retailers, are concerned about ethics.

During February I had the honor and privilege of addressing the Menswear Retailers of America, at the annual convention, on the subject "Ethics in Retailing." About 500 were present at the end of a day-long seminar–and they were interested and attentive.

It is unfortunate that we make it a sign of weakness to talk to one another about our desires to be good and honest. We appear to hold in higher regard that man who cheats on his income tax, conceals revenues, and is plainly and simply a crook, than the man who says that this year, like every year, I declared all my income and took only my honest deductions.

Don DeBolt, Executive Director of MRA, was kind enough to write: "Right on target and a subject that really needed some airing. Bob, you exceeded our fondest expectations in your presentation, and I hope you feel as pleased as we are about the reaction. It was the perfect windup for our program that day and really gave the audience some solid food for thought. I'm sure a lot of them will rethink some of the old habit patterns."

A week later I had the privilege of addressing the Rotary Club of Tacoma, Club No. 8 in that venerable organization, as they celebrated Rotary's 75th and their 70th anniversary. Once again I spoke on "Ethics in Business." The President wrote me: "Your talk today at our Rotary meeting was excellent. The prolonged applause was our expression of appreciation for your thoughtful and appropriate remarks." This was the first time I had experienced applause so long that the President asked me to stand again!

And that night I talked to two classes at the University of Puget Sound on the subject of ethics in business. Yes–the students have the same interest.

RThought: You can do your part. Speak up for good and speak of good. Express your good thoughts to your family, your friends, your business associates. They want to talk about being good and being honest–help them by opening up the subject.

they could and could not do. Eventually most response was reduced to an 800-telephone number for ordering and bank credit cards for payment.

Today, a dozen companies copy Joe's format and style with varying degrees of success.

His business started in the basement of his home with one assistant, Mary Stanke, who is now his senior executive.

Among other principles established by Sugarman was one of satisfaction guaranteed. His most complete commitment was when he was the first to sell liquid crystal digital watches—and did it by direct response advertising. If a watch failed for any reason the owner contacted JS&A by telephone or mail, was sent a shipping carton containing a Timex watch as a loaner, returned the defective digital, it was repaired or replaced and returned together with instructions for submitting all shipping costs paid by the customer. Payment was then made for these expenses. In a number of cases the customers were less honorable than JS&A and failed to return the loaner watch.

This brings us to the FTC.

In early 1979, an investigator for the FTC stopped by JS&A as JS&A was recovering from two catastrophes—a computer failure that made it impossible to recover information on unfilled orders and one of those "100 year" snow storms that hits the Chicago area every year or so.

The staff of JS&A was completely cooperative and tried to provide the investigator with all the information he requested. JS&A was—and is—convinced that they went far beyond the requirements of any law in dealing with their customers. They told the investigator about some unrecoverable orders in the computer (since recovered and filled) and provided him with information on the forms used in correspondence with their customers.

Shortly after that, JS&A was advised by the FTC that JS&A had violated the 30-day notice rule (a notice stating that shipment would not be made within 30 days of receipt of the order and telling the customer he could cancel his order and get a refund). The FTC then demanded that JS&A pay a $100,000 civil penalty, even though no complete investigation had been made, no information had been provided on the persons complaining so that JS&A could determine whether or not they had taken action, and claiming that the FTC could give no recognition for such things as weather conditions and computer failure because such was not provided for in the law.

JS&A later learned that during their 8 years of operation, the FTC had only about 50 complaints on JS&A. As time proceeded, the FTC recognized that they really didn't have evidence of a serious condition so they wrote more than 100 state and local agencies asking them to send all complaints they ever had against JS&A. This brought the FTC's total up to a claimed 300 although they have never provided JS&A with all the names and addresses of the customers. Those that were provided had all been cleared to the customer's satisfaction.

When Sugarman indicated that he didn't think this was fair and that he had problems that were beyond his control but that he hadn't ever done anything intentionally wrong, the FTC response was to issue a subpoena for 600,000 documents. As of this writing (March 6, 1980), this number has not been significantly reduced although the FTC persists in telling the press and Congress that they have modified the subpoena. JS&A estimates that if it takes only 1 minute per document to comply it means some 5 man-years plus copying and other costs.

This appears to be a standard FTC technique that subdues most small businesses.

Joe Sugarman met with Paul Turley, FTC Regional Director in Chicago, at a meeting that was, with permission, tape recorded (I have, and have listened to a copy of that tape). Turley demanded that Sugarman sign an admission of guilt and agree to pay a civil penalty before the FTC made their complete investigation or received any of the material subpoenaed.

For a moral man, convinced that he had not done anything wrong, this was too much. The FTC may have their abusive legal tools—but Sugarman has his pen, camera, typesetter and advertising know-how. He became convinced that he had to resist this coercion. He wrote the ad that has now appeared in a hundred publications, some of which have run it without charge because they support his fight to stop abuse of small businesses.

Before running the ad, I intervened with a friend at the FTC, hoping to stop this battle which would, I felt, seriously damage the FTC by inducing reactions against the FTC (which have happened). The FTC was adamant—they were going to collect their money and make an example of JS&A.

When I raised questions as to why they had never fined Jay Norris or how Turley in Chicago could be unaware of the bankruptcy of J. C. Whitney with tens of thousands of unfilled orders, they ducked the issue. JS&A, solvent and profitable, was their target.

The FTC did respond with letters to Congressmen and Senators and press releases that were highly inaccurate. One cannot tell whether the Washington office was intentionally dishonest or whether they were misled by the Chicago office.

On Saturday, February 16, 1980, Tom Snyder covered this story on **Prime Time**. As part of the story they interviewed FTC Chairman Michael Pertschuk. When asking about access to the commission by small businessmen who felt put upon, Pertschuk outlined one of those wonderful open-door policies that all administrative agencies claim to have. In a portion of the interview not shown on Snyder's show, the reporter asked Pertschuk about the JS&A case. His reply was "This interview is ended," and it was!

Having heard of the open-door claim on TV, Sugarman contacted Pertschuk to take him up on his offer. Pertschuk was ill and could not meet with Sugarman but said that he would set up a meeting with Pertschuk's administrative assistant and Albert Kramer, Director of the Bureau of Consumer Protection. The Small Business Administration

CREDIT OFFICE RATING

Can it be true that the more computers stores have, the slower they get out their bills? The Honor Roll is shrinking—and that is not a good sign.

This time there are only 6 firms on the

HONOR ROLL

Liberty House No. California	2.0	Montgomery Ward No. California	3.0
Macy*s NYC	2.0	Gimbel's Phillv	3.6
Rubenstein's	2.7	Montgomery Wards Houston	4.0

CREDIT OFFICE RATING

Information From Reporters	DEC. 1979-JAN. 1980 No. of Reports	Days to Bill Average	Range	OCT.-NOV. 1979 No. of Reports	Days to Bill Average	Range
B. Altman, (NY)	2	5.0	5	1	4.0	4
Bonwit Teller, (NY)	1	11.0	11	1	8.0	8
The Broadway, (S. CA)	1	5.0	5	1	5.0	5
Brooks Bros., (NY)	1	12.0	12	--	--	--
Bulluck's, (S. CA)	2	9.5	8-11	1	5.0	5
Bullocks, (N. CA)	1	9.0	9	4	5.8	4-7
Cable Car Clothiers,(N. CA)	2	14.0	14	--	--	--
Capwells, (N. CA)	7	5.7	5-7	5	5.0	5
Craig's, Houston	1	11.0	11	--	--	--
Emporium, (N. CA)	3	8.7	5-11	--	--	--
Foley's, Houston	2	9.5	8-11	3	8.3	5-11
Fredrick & Nelson, Seattle	1	6.0	6	--	--	--
Gump's (N. CA)	1	28.0	28	3	15.6	14-17
Hudson's Bay, Calgary	1	7.0	7	2	5.5	5-6
Joske's of Texas, Sn Antnio	1	7.0	7	--	--	--
Joske's of Texas, Houston	2	8.0	7-9	2	8.0	8
Liberty House, (N. CA)	1	2.0	2	2	3.0	2-4
Livingston Bros., (N. CA)	3	7.7	6-10	3	5.3	5-6
Macy*s (NY)	1	2.0	2	--	--	--
Macy*s (N. CA)	10	5.7	4-9	5	4.2	4-5
I. Manin, (N. CA)	5	6.8	6-9	6	4.7	4-5
Marshall Field, Chicago	2	4.5	4-5	--	--	--
McCaulou's (N. CA)	1	5.0	5	--	--	--
Montgomery Ward, Houston	2	4.0	3-5	2	3.5	3-4
Montgomery Ward, (N. CA)	1	3.0	3	1	6.0	6
Nordstrom's, Seattle	1	7.0	7	--	--	--
Penney's, (N. CA)	1	6.0	6	1	7.0	7
Penney's, (S. CA)	1	8.0	8	1	7.0	7
Penney's, Philadelphia	2	5.5	5-6	2	7.0	7
Penney's, Bremerton	1	6.0	6	--	--	--
Robinson's, (S. CA)	1	7.0	7	--	--	--
Sakowitz, Houston	1	7.0	7	1	7.0	7
Saks 5th Avenue (NY)	3	9.7	9-10	5	9.4	8-11
Sears, Houston	1	7.0	7	2	4.5	3-6
Sears, (N. CA)	6	7.8	6-14	5	6.4	5-9
Shreve & Co., (N. CA)	2	7.5	6-9	--	--	--
Smith's, (No. CA)	1	8.0	8	--	--	--
Wanamaker, Phildelphia	1	7.0	7	2	5.5	5-6
Weinstock's, Sacramento	2	5.5	5-6	2	5.5	5-6
TOTAL	79	7.3	2-28	61	6.4	2-17

Information From Stores	DEC. 1979-JAN. 1980 No. of Reports	Days to Bill Average	Range	OCT.-NOV. 1979 No. of Reports	Days to Bill Average	Range
Carlisle's, Ashtabula	2	6.5	6-7	2	5.5	5-6
Gimbels, Phildelphia	36	3.6	3-5	36	3.6	3-5
Iver's, (S. CA)	10	11.0	7-13	10	9.0	6-11
Ivey's Carolinas	20	5.2	3-7	20	3.6	3-6
Levy Bros., (N. CA)	8	4.4	3-6	8	4.5	3-6
Mervyn's, (N. CA)	20	4.4	4-5	20	4.0	3-6
Ross Stores, (N. CA)	6	6.0	4-8	4	5.8	5-8
Rubenstein's, Shreveport	3	2.7	2-4	3	3.0	3
Waldoff's, Hattiesburg	2	14.0	13-15	1	12.0	12
Wineman's (S. CA)	2	5.5	5-6	3	4.7	4-5
TOTAL	109	5.2	2-15	107	4.4	3-12

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.

WHY RT PUBLISHES ADDRESS AND SUBSCRIPTION COSTS: RT gets ideas from other publications and feels that readers may want to obtain the complete document. RT is always annoyed when a citation is given without an address and often spends hours tracing down the source. The publication quoted does not know that it is being cited and RT gets nothing beyond the good feeling that comes from plugging a good source for RT readers.

RETAILING AROUND THE WORLD

The International Association of Department Stores (72, Boulevard Haussmann, 75008 Paris, France) publishes the "Retail News Letter" for their members. The February 1980 issue contains some interesting changes in retailing in other countries that have both similarities and dissimilarities to retailing in the United States.

FRANCE: The Ministry of Economic Affairs has set forth a number of measures designed to stimulate competition and benefit consumers. Retail trade associations have been asked to lend their support. In some cases the measures represent little change (honesty in advertising, truth in lending, pull dates on products, clear display of prices). New to the French scene but not the U.S. scene would be unit pricing. New to both countries would be the requirement that consumers have the right to exchange goods and the right to cancel orders without liability if the delivery date agreed upon is not met.

GERMANY: There is a trend toward smaller stores. In Germany (as in many other European countries) there are major limitations on where and what size store can be built. Super stores are ones of more than 8,000 square meters (approximately 88,000 square feet). In 1976 these represented 19% of new stores while in 1978 they were only 9%. This parallels the trend in the United States.

CANADA: With the development of massive downtown centers with widespread underground shopping areas, the trend continues toward new and very large stores. In the United States, Hudsons will tear down a 2,000,000 square foot store and replace it with a 400,000 square foot unit. In Boston, Jordan Marsh has built a new store less than half the size of the old one. In Los Angeles, Broadway moved to a new store about a third the size of the old store and Bullock's is about to do the same. Thus it is interesting that in Toronto the newly completed second phase of the Eaton Centre will have a 1,020,000 square foot T. Eaton and a 957,000 square foot Robert Simpson store.

FRANCE: As Carrefour (basically an operator of hypermarches with total sales approaching $4 billion) moves into shopping centers, conventional supermarkets are being forced out. At the Creteil-Soleil center near Paris, the Suma supermarket has not renewed its lease and the Felix Potin supermarket faces the same problem. On the other hand, sales hav[e] increased considerably for the other stores in the center.

GREAT BRITAIN: Since 1778, 2 years after the United States declared its independence, Debenham has been located on Wigmore Street in London. Soon this will end—and a hotel will take its place.

GREAT BRITAIN: The Key Markets chain of supermarkets is moving from a successful bingo promotion to an instant lottery, if they can be assured that it is legal under gambling laws. Great Britain only goes through part of the promotional cycle that is so common in the United States: discount prices, followed by continuities, games, stamps and then discount prices again.

GREAT BRITAIN: They abandoned resale price maintenance laws much earlier than we did—in 1964. Since then it has been illegal for the manufacturer to set resale prices. They attempt to accomplish the same end result, as manufacturers do in the United States, by refusing to sell to known price-cutters. The explanation offered by British manufacturers is the same as in the United States—they must select outlets that will provide after-sale service. When British retailers feel that they have been illegally denied goods they can complain to the Office of Fair Trade whose powers will be increased greatly if legislation now in process is ultimately passed.

GREECE: This is the home of the small store—with more stores per 1,000 people than most countries and yet with low retail sales per capita. The government is now urging th[e] expansion of cooperatives and the merger of retail firms to produce more efficient businesses.

MEXICO: While Congressman Ulman tries to bring a Value Added Tax before Congress, and most businesses resist the idea of VAT, Mexico adopted a 10% VAT to replace a 4% turnover tax. The turnover tax added more to the final selling price for those goods that go through many steps—manufacturer-wholesaler-jobber-retailer—than it does to the cost of goods sold directly by the manufacturer. In the case of value added, the number of steps in the process has little impact on the tax cost included in the price.

SHORT SHORTS

What families are most likely to be debt-free? The 1977 survey by the Federal Reserve board indicates that 42% of the families with gross income over $25,000 have no debt; as is the case with 42% of the families with incomes of $10-14,999. Between $15,00 and $24,999 only 33% are debt-free. The debt-free status of the $10-14,999 families may reflect a combination of social customs (many seasonal workers avoid debt) and the unavailability of credit.

Alpha Beta finds the answer to establishing customer confidence in electronic scanner accuracy—their Price Accuracy Guarantee. In all stores that use scanners they will give you the item free if the price charge exceeds the shelf-tag price. Would you offer that guarantee using non-scanning checkouts and even your best checkers? (Note: During a recent retail clerks strike against Safeway, Lucky, Alpha Beta and Ralphs in Northern California during which untrained replacements were used, customers probably wished their store had scanners!)

Should the food industry tie their demands for back-haul rights to increased weight limits for trucks? The food industry has every logical reason on their side in seeking the right to back-haul goods on trucks that must otherwise travel empty for long distances. But trucks are destroying our highways according to the study by the General Accounting Office entitled "Excessive Truck Weight" (free copy from GAO Distribution Section, Box 1021, Washington D.C. 20013). Recent increases in maximum weight from 73,280 lbs. to 80,000 lbs. will accelerate highway destruction (the argument that trucks pay more tax doesn't mean much when not enough is paid to maintain the highways). GAO weighed trucks and found that 161 of 179 grain trucks, 70 of 107 sand and gravel trucks, and 284 of 312 trucks carrying government shipments were heavier than state limits (tests in Ohio and Texas) b[y] amounts up to 38,000 lbs. Top retail management should tak[e] steps to insure that their trucks comply with weight limits.

Office of Advocacy said they wanted to represent Sugarman. In the end the meeting was restricted to the FTC staff and Sugarman and his counsel. It would be inappropriate to report what was discussed at this time but there may ultimately be a fair solution.

It is appropriate, however, to report on the FTC position in regard to gross and flagrant violations of mail order customer rights as in the case of J. C. Whitney or Kaleidoscope. When Kaleidoscope closed, the management said there were 19,000 customers who were owed refunds, a figure later raised by the auditor to 40,000! The FTC knew this problem. In the case of Whitney, there were approximately half a million buyers left without merchandise or with refunds due. The number was so large that the bankruptcy court in Chicago, according to **Con$umer New$weekly,** sought special dispensation from Washington in order to pay the postage necessary for replying to all complainants! A legal aide said that Whitney accepted orders "they knew they couldn't fill" right up to the date of filing for bankruptcy.

What is the FTC position on such cases? They disregard them because they say they are not equipped to deal with mail order fraud! ! !

RThought: Through all this period of contact with JS&A the FTC never stated how their rule applied in cases where orders were on bank cards and no charge was made to the customer's account until shipment was made (thus there is no money to refund) or where checks were not deposited until shipment was made (again, no money to return).

RThought: RT still believes that the retail community is better off with an FTC than without it—as are the customers of retailers and all other businesses. (Sugarman also supports a "fair" FTC). But the FTC must do the job that should be done—not the things that give a regional director a feeling of Hitlerian power. They need strong legal powers—but the use of them should be restrained. President Theodore Roosevelt gave us a guide when he reminded us of an adage that was old even in his day—"Speak softly and carry a big stick; you will go far." He didn't say, use a big stick before you have the facts.

I believe that the facts set forth herein truly report this case without bias regardless of the fact that JS&A is a client firm.

YOU READ IT HERE

In the November 1979 issue, in the lead article entitled "Is Federal Reserve Chairman Volcker Out to Kill the Free Enterprise System?" I commented on the boost of the discount rate from 11% to 12% which resulted in an increase in the prime rate from 13½% to 15¼% and said that prime "is headed toward 20%."

It is getting there—at this writing most of the major banks are at 17¾% and it may be higher when you read this. Yet the money supply continues to grow, government interest costs have boosted the deficit which in turn contributes to inflation, businesses factor their higher interest cost into their prices which contributes to inflation, and we just had the highest single month jump in consumer prices in more than 3 decades! Yet, old Single-Minded Volcker continues to claim that this is a cure for inflation. The FTC should stop his dishonest advertising—far worse than the petty matters that the FTC usually rules against.

TRAINING MANAGERS

In much of retailing the Standard Operating Procedure for developing managers is to steal them from the larger companies. That may or may not be good—but there is a better way available to all retailers.

Cornell University runs the Cornell Home Study program, originally developed for the food industry 16 years ago, but with support in recent years from the National Mass Retailing Institute. The number of people who have participated runs into the tens of thousands, as the list below shows. This is the list of the Top 30 Companies for 1979:

Rank	Company	Students
1.	Kroger Company	710
2.	Publix Super Markets	571
3.	The Great A&P Tea Company	476
4.	Von's Grocery Company	350
5.	Dominion Stores Limited	345
6.	Loblaws Limited	305
7.	Albertson's Inc.	268
8.	Winn-Dixie Stores, Inc.	228
9.	Food Town Stores, Inc.	196
10.	Safeway Stores, Inc.	180
11.	Grand Union Company	187
12.	P&C Food Markets	183
13.	Kings Department Stores	182
14.	First National Stores, Inc.	151
15.	Pay 'N Save Corp.	135
16.	Fleming Foods Company	128
17.	Hannaford Bros.	123
18.	H. E. Butt Grocery Company	121
19.	Schnuck Giant Value Markets	103
20.	Copp's Corp.	101
21.	Harris-Teeter Super Markets	97
22.	Marsh Supermarkets	94
23.	Lowe's Food Stores Inc.	88
24.	Nash-Finch Company	86
25.	Supermarkets General	85
26.	Golub Corp.	84
27.	Dillon Companies, Inc.	83
28.	Wegmans Food Markets	82
29.	Marshalls	81
30.	Alterman Foods	75
	Total	**5907**

Note the non-food firms represented on the list. Albertson's (No. 7) has a growing number of combination stores with large non-food sections. Kings Department Stores (No. 13) is a conventional (but high-earning) discount chain in New England. Pay 'N Save (No. 15) has no food operations—only Pay 'N Save drug stores, Bi-mart Discount Drug stores, Lamont department stores, Ernst Hardware Stores, Malmo Nurseries, Yard Birds home improvement centers and Sportswest sporting goods. Hannaford Bros. (No. 17) is primarily a food wholesaler but does operate both supermarkets and drug stores. Copp's Corporation (No. 20) operates both general merchandise and food stores. Marsh Supermarkets (No. 22) operates drug stores in addition to supermarkets and convenience stores. Marshalls (No. 29) is a division of Melville, Inc., operating off-price, close-out soft-good stores.

RThought: The cost is nominal—$40. Most companies reimburse the employee on completion and many permit payment by payroll deduction. If you want more information, write to Food Industry Management Program, Cornell University, Ithaca, New York 14853.

FAIRCHILD PUBLICATIONS DOES SOMETHING GOOD

Women's Wear Daily (1/30/80) ran a story on the arbitrary chargebacks, special requests to share markdowns, and other practices of major department stores whereby they arbitrarily and unilaterally change the written purchase order terms. The documentation shows that the signed word of many major department stores isn't worth the paper it is written on—because they change the terms whenever they think they can pick up a dollar or two.

Some of the finest names in American retailing are apparently so ashamed of their own conduct that they won't discuss it. I quote from the story:

"Goldwaters declined to comment" (Associated DRY GOODS ~~Merchandising~~ Corporation).

Rodney Bradley - AMC
V.P. - ADM - FIN

"Emporium declined to comment" (Carter Hawley Hale).

"A spokesman for Ed Selonick, Chairman of Shillito's said Selonick declined to discuss the matter" (Federated Department Stores).

The other common attitude was that we really don't want to collect any money. The spokesman sounded just like the Ayatollah Khomeini who really likes Americans!

Si Lippa and Ron Cohen did a good job in their article—dealing with facts that vendors have long made available to RT.

RThought: When Fairchild wants to do a job as a responsible publication, they are capable of doing it. Retailing would be much better off if they did it all the time.

HOW TO BALANCE YOUR VIEW OF THE CONSUMER WORLD

Most retailers gain a pretty one-sided view of the world. Through trade papers and trade associations they get a diet of one-sided, pro-retailer views of the business scene, legislative action, and social pressures.

Even the reading of the public press does little to broaden the tunnel vision of the consumers they serve. (Too many have been sold on the Wall Street Jornal as the only paper necessary for their business success.) As to the local press, except for a handful of newspapers (New York **Times**, Washington **Post**, Los Angeles **Times**), the local papers do best on sports, society gossip and comics—and decline rapidly as the issues become more basic. Because retailers tend to "scan" their local papers, looking mainly at ads run by competitors, they usually miss items that reflect consumer thinking.

RThought: RT wonders how retailers can really do their job with such a distorted view of the world in which they operate. Long before consumers get aroused (about chemical waste disposal methods, unsafe drugs, product labeling, bad credit practices) there is a great deal written—but it isn't read by retailers.

One way to keep informed is to read (scan for articles of interest is a more accurate description) a publication put out by Consumers Union for people active in the consumer field. **Consumers Union NEWS DIGEST** comes out twice a month and costs $36 per year. The typical issue runs 12 pages and covers about 40 items grouped under subject headings such as advertising, appliances, consumer protection, drugs, food products, etc. To order write Consumers Union of the U.S., Mount Vernon, NY 10550.

LABOR'S STAND-PATTISM AND THE U.S. ECONOMY

Strange articles sometimes appear in the Monthly Labor Review (January 1980, $2.50 per copy, Government Printing Office, Washington D.C. 20402) and in this case it was an extract from a talk by former New York Times labor affairs writer, A. H. Raskin, given to the yearend meeting of the Allied Social Science Association in Atlanta. Raskin is now associate director of the National News Council.

> **"The best thing the American trade movement has going for it is the near-hoplessness of its current position. Organized labor is on the skids in economic, social and political power; and a strong argument can be made that that is exactly where it deserves to be, given the assiduousness with which labor has helped spread the banana peels that are speeding its downhill slide . . .**
>
> **"Familiar as the alarm signals must be to this sophisticated audience, bear with me for a bit as I tick off a few of the more menacing evidences of union decline. Foremost, of course, is the steady fall-off in the proportion of the nonfarm work force in union ranks, from one out of three at the time of the AFL-CIO merger in 1955 to one out of four today.**
>
> **"Industry is moving out of the union heartland in the Northeast and Middle West to the right-to-work States of the Sunbelt and to low-wage sanctuaries in the Far East and Latin America . .**
>
> **"The pursuit of more remains as solidly the centerpiece of unionism's design for living as it was when Samuel Gompers first enshrined it almost a century ago. Yet ingrained inflation makes mockery of the chase by devouring union-negotiated wage increases before workers can get to the supermarket to spend them. In the 1970s, the average weekly wage for all employees nearly doubled, from $114 to $224; yet the average worker with three dependents wound up the decade with a 3.5 percent cut in what his pay envelope could buy after the bite of higher living costs and taxes.**
>
> **"It is true that the entrenched unions in auto, steel, and other administered-price industries have stayed well ahead of the parade, but their insulated position has created its own compass of problems. Their industries are losing ground in world trade competition. The causes extend far beyond labor, yet the necessity for cost-cutting will force these industries to seek payroll relief in ways that will differ in character but not in effect from those that are making orphans of the storm of the construction crafts, once the undisputed champions in grab-with-both-hands unionism."**

WORDS TO HELP PLAN YOUR LIFE

Dale A. Feet is now with the Retail Industries Services of Price Waterhouse. He formerly was with K-mart as Vice President and General Controller. The two periods are separated by several years of sailing the South Pacific. He sent these helpful words. His letter explains the words better than I could. But I hope that Dale understands that I had many of my present views when I was still a young man.

> "I enjoy the quotations you put in Retailing Today, so here's one I've liked for years and which influenced my life in recent years:
>
> **'King David and King Solomon led merry, merry lives,**
> **With many, many lady friends and many, many wives,**
> **But when old age crept over them,**
> **With many, many qualms,**
> **King Solomon wrote the Proverbs,**
> **And King David wrote the Psalms.' "**

Cornell Home Study
program notes

Volume 9, Number 1 Spring 1980

NUMBER 100,000 TO BE ENROLLED SOON!

Nearly 100,000 Students Have Studied at Home in Cornell Home Study Program!

That's what we are approaching! Sometime in late May or early June we will be able to point to one individual and announce for all to hear:

"You are number 100,000! You represent 99,999 other people who have enrolled in one or more of our courses since the Cornell Home Study Program began in 1964."

Since most of our students work in food stores, food distribution centers, discount department stores, or other types of retail industries, probably the individual with number 100,000 will be pursuing a career in one of these areas.

STUDENT AND EMPLOYER TO BE RECOGNIZED

It's apparent that such a statistic is far from an "average" one for us and will be dealt with accordingly. In fact, both the student and his or her employer will be recognized during the Food Marketing Institute's Human Resources Conference to be held in Houston in October of this year.

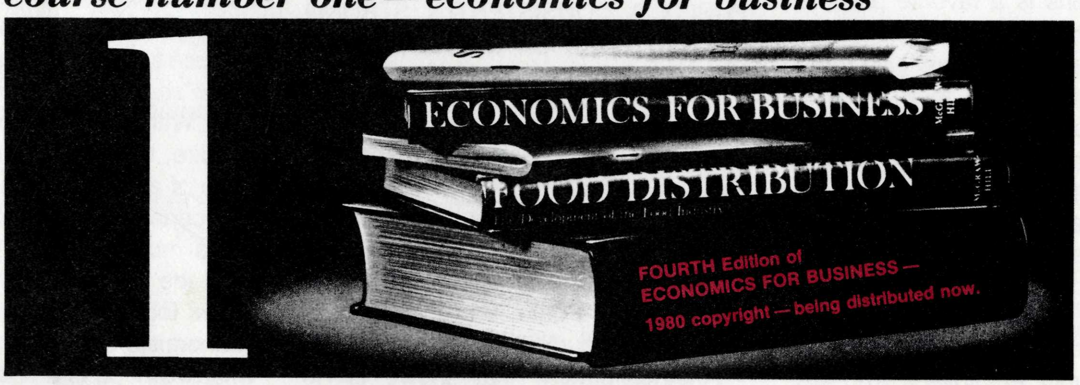
The first course in 1964, when Student Number One was enrolled in Cornell Home Study Course Number One.

50,000th HONORED in 1974

The National Association of Food Chains honored our 50,000th student, Maryann Reinhardt, during its annu meeting in 1974. She was presente with a special certificate that symbolized the event.

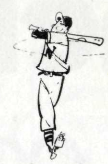
At that time Maryann was assistant store manager in the Bronx Division of A&P. Like many other promising employees, she had started with the company as a part-timer. Her college education led to a BA degree and a position as bookkeeper with the company, until she entered its management training program.

course number one—economics for business



CORNELL UNIVERSITY HOME STUDY COURSES

SPRING TRAINING OFFER



Clip This Coupon and Save $5.00

FULL COURSE PRICE	$40.00
PUBLIX PAYS	25.00
EMPLOYEE PAYS	15.00
LESS COUPON	5.00
SPECIAL SPRING TRAINING OFFER	10.00

THIS COUPON WORTH **$5.00**
TOWARD THE ENROLLMENT FEE FOR:
CORNELL HOME STUDY COURSE
$10.00 with coupon
$15.00 without coupon
OFFER EXPIRES JUNE 30, 1980

HERE'S WHAT TO DO:
***Select any course**
***Obtain an application from your manager and fill it out**
***Attach a personal check or Money order (no cash please)**
Made out to
CORNELL UNIVERSITY
FOR $10.00 and this coupon

***SEND TO:**
TRAINING DEPARTMENT
Lakeland
(for Lakeland and Jacksonville divisions)
OR
TRAINING DEPARTMENT
Division Headquarters Miami

List of Courses

Course No.	Title
	Basic Level
101	Economics for Business
112	Accounting
115	Business Math
119	Customer Relations
124	The Food Store Distributor
130	Food Distribution
	Intermediate Level
211	Man. and Training People
220	Food Merchandising
221	Effective Communication
222	Meat Man. and Oper.
223	Food Store Sanitation
226	Store Security
227	Man. Dev. for Discount Stores
228	Front End Management
229	Food Wrhsing. and Trans.
	Advanced Level
305	Business Law

ALL THE PRO'S ARE DOING IT! BE A PRO . . .
GET INTO SPRING TRAINING WITH A CORNELL HOME STUDY COURSE
(Full-time employees only . . . please)

E. H. "Bud" Ruth, director of personnel, and Jack Stemm, personnel trainer, at Publix Super Markets in Florida, have come up with a promising spring offer for their people. Since clipping coupons is a favorite pastime today, they have offered their employees a coupon that could give them the best bargain of their lives—enhancing their job opportunities and encouraging their continued careers in the food industry.

This offer was made in the April issue of *Publix News,* which all employees at Publix receive. (See "your idea box" for an illustration of the page.) And preceding this offer are nearly two pages of pictures of Publix employees who are receiving Cornell Home Study course Completion Certificates. One man—David Lattimore, a Lakeland Warehouseman—is being presented his Honor Award for having finished five of the Cornell courses.

PUBLIX A CONSISTENTLY STRONG SUPPORTER

Publix has consistently promoted the Cornell Program for their people. In 1976 major emphasis was placed on FOOD STORE SANITATION, when the company decided to enroll all their top and middle management people at company expense. Since that time nearly 1500 Publix employees have studied this course alone.

Another pattern that shows up in Publix participation is the fact that many of their people find value in studying what might be called basic courses. For instance, ECONOMICS FOR BUSINESS, BUSINESS MATH, and ACCOUNTING have been popular with Publix employees. Apparently they feel the need to strengthen their knowledge in these fundamental areas and feel that home study courses are a good way to do it. With the basic understanding they acquire, they also sharpen their knowledge of all phases of the food industry. And certainly today's financial headlines make more sense to those who know what the indexes are measuring, where prime interest comes from, and how economists organize their findings into what we hope is a realistic view of our situation.

Women in the News — From *A&P Today*

Three out of five "Women in the News," highlighted in the March 1980 issue of *A&P Today,* a company publication, are or have been Cornell Home Study students. Elaine Vogel, editor of the publication, devoted a full page to brief profiles and pictures of the five highly qualified women who have been placed in management positions at A&P.

Of course we were not really surprised when we read the stories and discovered three of our students were mentioned, since industry employees who advance to higher positions have often been assisted by one or more of our courses. However, when three out of five are mentioned in just one issue of a company publication, this does validate our frequent assertions that Cornell Home Study is being recognized for the benefits it contributes to both students and their employers.

A SIX—COURSE COMPLETOR

Sue Vozzi, store manager in Brewster, New York, is one of those profiled in the March issue. She has completed six of our home study courses to date.

Sue places a high value on education. For instance, she says: "A successful operation requires proper delegation of responsibility and the ability to educate your employees."

Sue is an example of a part-timer who found a satisfying career in food retailing — a path traveled over and over by successful managers in this business. Within six years of her first employment as a high school student, she was "working with supervision on a full-time basis in the areas of general merchandise and health and beauty aids, assisting in merchandising, resets and new store openings." After participation in the assistant manager training program, she was appointed to her first managerial post and assumed full store manager responsibilities two years later.

Sue Vozzi, a six-course completor in Cornell Home Study, is now an A&P store manager in Brewster, NY.

A&P'S FIRST FEMALE DISTRICT MANAGER

A&P's first female district manager, Donna Goss, has also supplemented her college and Dale Carnegie courses with Cornell's FRONT-END MANAGEMENT. Presently Donna is assigned to the northern district of the Altoona Division, supervising the operations of nine stores in Ohio, western Pennsylvania, and New York.

THIRD STUDENT EVALUATES COURTESY PROGRAM

Maureen Mottard is presently a member of A&P's management training program and on her way to a position as a store manager.

However, because of her interest in Detroit's courtesy program, she was asked to assist Katherine Smith, vice president of consumer affairs, in evaluating the program and developing "a package offering background information, guidelines, and suggestions for in-store and management kits, which will be invaluable to other divisions in the development of their own courtesy programs." In Detroit, Maureen was "totally involved in this innovative and experimental program for Detroit's checkers, visiting stores, scheduling and arranging for meetings, coordinating the distribution of supplies and publicity materials, and organizing the final awards ceremony."

Maureen recently completed Cornell's FOOD MERCHANDISING course and late last year received her Completion Certificate for MANAGING AND TRAINING PEOPLE.

WHAT OUR STUDENTS SAY

(A regular feature of *Program Notes*)

From Gini F. Hannah, bookkeeper, The Great A&P Tea Company, Inc., in Virginia Beach, Virginia:

"I'm really enjoying the FOOD MERCHANDISING course and I am looking forward to finishing so I can reinvest in another course."

From Ronald Pearson, frozen food and dairy buyer, Winn-Dixie, Atlanta Division:

"A long time has passed since I began FRONT-END MANAGEMENT. I am sending a note to let you know that I have been promoted from store manager to the frozen food and dairy buyer for the entire Atlanta Winn-Dixie division. I know that taking this course back almost a year ago is not the only reason I was promoted, but it helped discipline me more and for this I am grateful."

From Raymond J. Remp, assistant store manager, Alexander's Markets, Inc., in Dracut, Mass.:

"Thanks for the help with FOOD MERCHANDISING. I reread the chapter, but it wouldn't sink in. Once I put your help together with the reading it became clearer to me."

New Poster Attracts Wide Attention

"It's Your Move," the new poster that was recently offered to all Cornell Home Study participating companies, has been mailed out by the thousands ever since. Evidence seems to indicate that many students first learn about the Cornell courses by means of a poster they read in their break areas. This poster, then, can be a valuable method for offering home study to your people.

SIZE IS ADJUSTABLE

To make the poster somewhat more flexible, many personnel and training directors have adjusted its size — a simple matter now that copiers with reduction cycles are more readily available. The original 17- by 22-inch poster can easily be reduced to 8½ by 11 inches (see insert).

COPY ALSO SUBJECT TO ALTERATIONS

Poster copy may also be changed to suit the needs of individual companies. The most obvious alteration is the placement of Cornell's name and address, which are found in the lower right-hand corner, with the name and telephone of a company contact, such as the personnel manager. Whenever a company wants to monitor the types of courses its employees are taking, this is a natural change to make and one that has proved to be highly effective. It means that someone in the company is aware of those employees who are participating in home study courses and will be able to supervise their progress.

SPECIAL INSERT FOR MASTER

The special insert in this issue of *Program Notes* can be used as a master for making 8½- by 11-inch copies in sufficient number to place one on each bulletin board in your store or warehouse. If single copies of posters are combined with information kits in the hands of managers or foremen, no questions need remain unanswered when employees decide they want to be in the "move."

Performance Appraisals and Cornell Home Study Courses

Are Cornell Home Study courses discussed with your people during their performance appraisal interviews? The number of topics that must be covered during these sessions may be so numerous that you have overlooked the "extra-curricular" self-development efforts made by those employees who have been studying at home.

For instance, several of your checkers may have completed the Cornell course in accounting, clear evidence of their desire to progress in their work.

Your store managers may have studied several courses that improved their performances and benefitted your company because of the knowledge they gained.

Your skillful meat cutters, who have taken MEAT MANAGEMENT AND OPERATIONS or FOOD STORE SANITATION certainly deserve credit for widening their horizons.

Even if time precludes a discussion of these achievements, certainly the employees' personnel files should contain information about every course completed.

A SECOND APPROACH

In addition to the recognition which home study achievers deserve during these interviews, you may also want to suggest to others how they can bring their work up to company standards by taking one or more courses. Having at hand several copies of individual course description brochures and enrollment forms makes this easy.

A THIRD GROUP TO BE CONSIDERED

Frequently a third group of employees who are very appreciative of support and suggestions for improving their work are part-timers. Although they might not have the advantage of regularly scheduled appraisal sessions with their supervisors, they can be encouraged to continue their self-development. A handy supply of individual course brochures will provide you with several courses you may feel would benefit particular individuals and help them discover the great variety of career opportunities that exist in the food industry.

Mass Retail Companies Participate in Home Study

Three mass retailers were mentioned recently in the March 1980 issue of *Retailing Today* since they were among the top thirty participants in Cornell's Food Industry Management Program, Home Study Division.

The article listed all the top thirty companies by rank and number of students that had been enrolled during 1979. It then mentioned specifically not only the three nonfood retailers — Kings Department Stores, Pay 'N Save Corp., and Marshalls — but also pointed out that many of the other companies listed had very sizable general merchandise operations. Albertson's, Hannaford Bros., Copp's Corp., and Marsh Supermarkets were specifically referred to as companies where department or drug stores are significant in their total operations.

TRAINING MANAGERS

Focus of the story was the fact that training managers through Cornell Home Study courses is a much better approach than the "standard operating procedure" of stealing them from larger companies.

Needless to say, we have been delighted by the story and especially by the many requests for more information that have come to us as a result.

In fact, we were favorably impressed by the approach taken throughout the entire issue. Our thanks to Robert Kahn, certified management consultant, who is responsible for the publication and has given us permission to let you know about it through our *Program Notes.*

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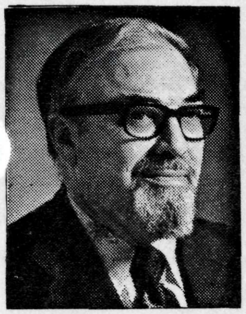

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HOW BIG IS THE UNDERGROUND ECONOMY?

In recent months there have been a number of newspaper articles reporting estimates that the "underground economy," that is, the portion of the gross national product that is not reported because it is conducted entirely in cash (largely to avoid income taxes). It could be as high as $200 billion. This is in addition to the $100 billion that the Internal Revenue Service estimates is interest or dividends that are not reported.

The Federal Reserve Bank of St. Louis, in the January 1980 REVIEW (free, Box 442, St. Louis, MO 63166) deals with this subject. One of the figures often cited is the increase in the amount of cash in circulation as a percentage of demand deposits. The table below shows the rise of that percentage in recent years.

Year	Currency as Percentage of Demand Deposits	Year	Currency as Percentage of Demand Deposits
1939	21%	1970	29%
1959	25	1971	29
1960	25	1972	29
1961	25	1973	29
1962	25	1974	30
1963	26	1975	32
1964	26	1976	34
1965	27	1977	35
1966	27		
1967	28		
1968	27		
1969	28		

That looks like good evidence that more cash is being used to pay for transactions in relation to the usual source of funds from demand deposits.

This argument weakens when one compares cash with **total** deposits instead of just **demand** deposits.

Year	Cash as a Percentage of Demand Deposits	Cash as a Percentage of Total Deposits
1939	21%	11%
1959	25	16
1969	28	13
1976	34	12
1979	38	13

The argument is not so persuasive when one looks at these figures. But that doesn't stop newspapers from publishing articles claiming that their contrary evidence is totally conclusive.

When currency is compared to the gross national product there has been a moderate decline over the decades as shown below:

Year	Currency as Percentage of Gross National Product
1939	7%
1959	6
1969	5
1979	4

RThought: Retailers would be wise to be skeptical of the size of the "underground economy." Proof, of course, is impossible to get—but the logic that has produced the current newspaper figures leaves a great deal to be desired.

FIGHTING INFLATION

One of the places the Creator gave us as an example of beauty is called the Big Sur, along the California coast about 30 miles south of Carmel. Your destination for lunch might well be the River Inn, as it was for me and my bride of many years following a talk to the International Council of Shopping Centers session in Monterey.

Reading the local paper as I am wont to do when I travel, in this case the monthly **Big Sur Gazette,** I noted the ad for the very place we were lunching:

"With the present high cost of living, most of us can't afford to go out for expensive dinners these days. Well, the River Inn has done something about it.

BREAKFAST
LUNCH

"We're now serving our homestyle breakfast and lunch menu until 10 o'clock each evening, in addition to most of our regular dinner menu. And you all know that the River Inn has the best breakfasts and lunches around.

"So come to the River Inn in the evenings now and eat anything you darn well please—

. . . and pay less for it!"

RThought: There is many another eatery that could adopt the same policy.

SALESMEN IN SUITS SELL MORE

That is the conclusion of a study conducted by Edward P. Young of the Department of Psychology at Emory University, Atlanta, who for 3 months studied 7 salesmen in a men's store in a large southeastern city. The salesmen knew they were being studied but did not know the hypothesis that was being tested.

Attire was broken down into 3 categories: suit and tie, shirt and tie, and open-collar shirt. Hourly sales were recorded. The result?

Attire	Average Hourly Sales	Index
Open-collar shirt	$29.78	100
Shirt and tie	33.85	114
Suit and tie	48.42	163

Statistical tests indicated that there was no impact because of the day of the week. Young indicates that perhaps mental outlook when deciding on what to wear might also affect the enthusiasm and effectiveness of selling (if he didn't feel in good spirits he might not wear a suit—and might not do a good selling job).

Previous studies and reports, such as J. T. Molloy's book **Dress for Success**, have measured whether the **perception** we hold of others is affected by the attire; this is the first attempt to study whether our **behavior** towards people is affected by their attire.

CHAINS vs INDEPENDENTS

One often thinks that the chains have an easier time of it than do the independents. In the **Current Business Reports—Monthly Retail Trade** the sales trends are reported separately for all retailers and for what is called "Group II" which consists of those companies with 11 or more retail establishments **and** are doing a volume in excess of a minimum which varies with the type of store.

For practical purposes the total shown for Group II can be taken as the actual total done by chains. If it is subtracted from the estimated sales volume by type of store, one has a good estimate of the volume done by stores with 10 or fewer outlets (or if more than 10, have a very low volume per establishment).

The table below shows, by type of retail store, the change from 1978 to 1979 in total volume:

	Change – 1978 to 1979*		
Type of Retail Outlet	**All Outlets**	**Group II**	**Independents**
Total Retail	+11%	+10%	**+13%**
Durable Goods Stores	+ 9	**+10**	+ 9
Auto and Home Supply	+16	+ 6	**+19**
Nondurable Goods Stores	+11	+10	**+13**
General Merchandise Group	+ 0	+ 8	**+12**
Department Stores	+ 9	**+ 9**	+ 5
Variety Stores	+ 8	**+ 9**	+ 6
Misc. General Merchandise	+10	+ 7	**+14**
Food Group	+12	+11	**+13**
Grocery Stores	+11	+10	**+12**
Apparel and Accessory Stores Group	+ 9	+ 8	**+10**
Women's Stores	+ 7	**+ 8**	+ 7
Family Clothing	+11	+ 6	**+14**
Shoes	+11	+ 9	**+14**
Eating Places	+ 9	**+10**	+ 9
Drug and Proprietary Stores Group	+11	**+15**	+ 7

**Bold face indicates fastest growing category.*

RThought: We see an unusual pattern in the above figures. Only department and variety stores, eating places and drug stores show a higher growth rate for Group II than for independents. This continues a trend that has been reported previously by RT.

In the case of variety and department stores, the Group II stores represent 80% and 90% of volume for those types of stores, while in eating places the Group II firms represent 20%. Thus, the figures cannot be attributed solely to the dominant position of chains within certain industries.

However, in all 4 groups, the chains are high-priority occupants for all new shopping centers and thus have a better opportunity to get the good locations than do local or independent firms. In the other categories of firms, landlords are as likely to be as interested in a good independent as they are in a chain. In the areas where independents are growing faster, much of the growth is coming from better management of existing units rather than adding units.

EVERY AGE HAS ITS OWN DANGERS

The National Electronic Injury Surveillance System publishes reports on accidents by frequency and by severity. The frequency is broken down by the age of the person injured. Each age has its own dangers.

Looking at causes of injury where rates for 1979 are above 100 injuries per 100,000 population, we find the following:

Ages 0 to 4: Tables (671), stairs, steps and ramps (463), chairs, sofas and sofa beds (418), beds (401), and playground equipment (319). Also above 100 are bathtubs, desks and cabinets, cleaning agents, bicycles, glass doors, and nails, tacks and screws.

Ages 5-14: Bicycles (890), football (415), baseball (338), playground equipment (284), basketball (235) followed by ice and roller skating, fences, glass doors, nails, tacks and screws, and stairs, steps and ramps.

Ages 15-24: Football (590), basketball (575), baseball (411), stairs, steps and ramps (387), followed by cutlery and knives, glass bottles and jars, bicycles, ice and roller skating, glass doors and windows, and nails, tacks and screws.

Ages 25-64: Stairs, steps and ramps (319), baseball (145), and nails, tacks and screws (101).

Ages 65 and over: Stairs, steps and ramps (308), and chairs and sofas (106).

RThought: Men play baseball too long for their own good.

SEARS AND THE GRAND JURY

A Federal Grand Jury in Los Angeles has charged Sears, Roebuck and Co. with conspiracy and making false statements in an alleged scheme to cover rebates from a Japanese TV maker totalling $1.1 million over 9 years. In addition to the rebates, which reduced the actual price paid by Sears for the sets (done so as to avoid anti-dumping laws), Sears also is charged with understating the retail price charged for the same set in Japan (again making the reported price paid by Sears appear **not** to be below cost in Japan). Sears said that they believe the company's conduct was proper and legal.

THE COMPETENCY OF MR. VOLCKER RELATIVE TO THE ACCURACY OF RETAIL SPOKESMEN

RT has, for some time, held a low regard for Mr. Volcker and his staff as they exercise dictatorial power over the lives and fortunes of so many small businesses and individual consumers. (See RT Nov. 79, "Is Federal Reserve Chairman Volcker Out to Kill the Free Enterprise System?" and Mar. 80, "You Read It Here.")

Mr. Volcker set March 16th as the magic date on which retail credit should peak forever–or until Volcker had another dream. Any unsecured credit granted above that point, if receivables of the retailer exceeded $2 million, is to be subject to the penalty of a 15% non-interest bearing deposit with the Federal Reserve Bank.

One would logically assume that Mr. Volcker had some background on the credit that he was controlling. One very common source of information, the **Monthly Retail Trade Report**, can be purchased by anyone from the Department of Commerce for $25 per year (if Mr. Volcker does not have $25 available, RT would be happy to enter a subscription for the "Fed"). Each issue gives a breakdown of retail credit–total, unsecured and installment–by type of retailer. The table below shows, for 1979, in millions of dollars, the unsecured receivables (charge accounts as opposed to installment accounts) for various types of stores:

1979 Month	All Stores	General Merchandise	Department Stores	Apparel Stores
January	$11,017	$980	$919	$674
February	10,781	895	833	624
March	10,955	864	801	606
April	11,124	874	810	615
May	11,357	872	809	609
June	11,441	854	790	598
July	11,299	827	751	587
August	11,439	842	767	593
September	11,652	880	810	638
October	12,172	916	835	674
November	12,023	984	911	677
December	12,306	1,169	1,089	766
December 1978	11,599	1,149	1,078	755
Increase	+6%	+2%	+1%	+1%

This clearly shows a seasonal pattern. The end of December was 36% higher than the end of March for department stores and 26% for apparel stores–yet in each case the December 1979 figure was only 1% above the prior year.

THE INCREASE IN CONSUMER CREDIT IS NOT SIGNIFICANTLY IN THE REVOLVING AND OPEN ACCOUNTS OF DEPARTMENT AND APPAREL STORES.

According to Verrick O. French of the National Retail Merchants Association, following a meeting of 22 top executives with Mr. Volcker, as quoted in **Women's Wear Daily**, "He (Mr. Volcker) had not realized, prior to that moment, how wide a variation there is in the amount of credit extended over the year. He thought the oscillation was much narrower." One must conclude that Mr. Volcker also believes that we use a real Santa Claus in our toy departments! [NOTE: At press time the Fed has issued rules to permit reflection of seasonal patterns.]

RThought: Mr. Volcker has again proven that the Federal Reserve follows that famous rule, "Do not confuse me with the facts, I have already made up my mind."

RThought: The major retailers are, unfortunately, not showing too much wisdom in their public utterances. They are misleading the public. **Women's Wear Daily** quotes Mr. Gordon Worley, Executive Vice President for Finance at Ward's, as "With the prime rate at 19%, Ward's present finance charges of 18% annually for credit in Illinois do not cover even the interest costs . . ." This statement is true only if Ward's finance all receivables at 19%. **Wards does not.** In the 1975 Annual Report for Marcor, Montgomery Ward Credit Corporation (MWCC) showed some $404,900,000 of senior debentures maturing between 1980 and 1995 bearing interest rates from 4.75% to 9.60%. These funds have not been replaced at higher interest rates. There are public trading bonds or debentures with interest rates and due dates as follows:

5.25%	1981
6.5%	1987
7.375%	1980
9.0%	1898
9.25%	1990
13.625%	1987

MWCC also had $382,000,000 of equity on which interest is not paid.

The important fact that Mr. Worley failed to disclose was the average interest cost of money to MWCC. It is substantially below the average finance charge rate (RT agrees that there is an interest cost to carry accounts that pay in full each month on which Ward's collects no finance charge but this is a relatively minor proportion of their accounts).

RThought: Mr. Worley concluded with another questionable statement. "The alternative is higher cash prices which are inflationary and penalize the customer not using the credit service." Ward's may very well do this but if Mr. Worley's statement is true that Ward's loses money on credit, then the simple answer is to eliminate credit. Of course, Mr. Worley knows that if Ward's gave up the gross margin on billions of dollars of credit sales they would go broke. Therefore, one must conclude that even if the finance charge does not cover all the identifiable costs of credit that the addition of the gross margin on credit sales to the finance charges substantially exceeds all the extra costs on such sales and contribute substantially to the profit at Ward's.

Mr. Worley should realize that other retailers know that his statements are either not true; or if true, are not complete. The consumer advocates also know this. The customers inherently don't believe that Ward's would continue to grant credit if they really lost money. Therefore, the remarks contribute nothing to the betterment of anything.

SHOULD CORPORATE EXECUTIVES BE RESPONSIBLE FOR THEIR ACTS?

Our criminal laws and the enforcement of those laws are far from even-handed. Here in Northern California we have, within the past year, seen an example of this. A man trained as both a police officer and a fireman, who had been a member of the Board of Supervisors of San Francisco, with apparent premeditation (he brought a gun with him and entered the city hall through a window so as to avoid the metal detectors) killed the mayor and another supervisor. His penalty: 7 years in jail. A charasmatic black set up a phoney church and embezzled several million dollars from his followers and was given 15 years. Major cheaters on income taxes often receive sentences set in terms of months.

A general summary of our laws and the enforcement of those laws seems to indicate that blacks are to be treated as criminals and whites as emotionally disturbed. As to categories of crimes, some will be classified as "white collar," such as cheating small people out of their nest egg by churning investment accounts or embezzling from your employer, while others are to be treated as "real crimes" such as untrained and unemployed people committing robbery or burglary as a means of support (California has passed a mandatory "rob a house, go to jail" law.)

Crimes by top corporate executives are treated protectively by other top executives because of the "school tie" kinship they develop for each other. It may also mean that many top executives firmly believe that the laws of the land do not apply to them.

This was most clearly illustrated some years ago by Jerome Hull, then Executive Vice President of Pacific Telephone and Telegraph Company (PT&T) and later President. When PT&T was investigated for discriminatory employment practices they discovered instructions from Hull to executives of PT&T that they were to disregard the provisions of the Fair Employment Practices Act until he and others determined how it was to be enforced. In other words, Hull took the position that laws of the United States of America did not apply to PT&T until he decided they did.

If one defines those who intentionally break the law as criminals, then criminal executives constitute a challenge to the rights and privileges of all citizens of our country.

Who are these criminals? Would you consider a business executive a criminal in the following case? An OSHA inspector explains to the head of a construction company that he is violating OSHA regulations by permitting people to work in a trench that is not shored. Shoring is a simple process—all that is needed is to issue instructions to do it. Three weeks later the head of the company has not done anything, the trench caves in and a worker is killed.

For a number of years Congress has been attempting to rewrite, simplify and codify the Federal Criminal laws. Irving S. Shapiro, Chairman of DuPont Co., (also an attorney), has been representing the Business Roundtable in working with the Department of Justice. The proposed draft would create a new federal felony called "reckless endangerment" and would cover a company or executive who knows of a federal health or safety law or regulation and violates it so seriously that another person is placed in imminent danger of death or serious bodily injury. Instead of the nominal fines (usually $10,000 or less) the company could be fined up to $1 million and the executive up to $250,000 plus facing a jail sentence.

When this bill came before the Senate Judiciary Committee in January, guess who jumped to protest increased penalties against corporate criminals? None other than the United States Chamber of Commerce, the National Association of Manufacturers and many industry trade associations. What do they want? Very little—they want a continuation of little or no penalties for criminal conduct by corporate executives.

RThought: Sometimes corporate executives forget that they are the ones who reap the most fruit from our society. They have high incomes, retirement and fringe benefits never offered to low level workers, recognition (sometimes approaching adulation) in our communities, and control over the income and livelihood of thousands of people. In exercising this position they profess great support for "our American way" and fight for "our free enterprise system" and profess to be honest, God-fearing citizens. Yet, for some reason they don't feel that they should be responsible for their acts.

What particular areas of conduct should be of concern to retail executives?

Have you noticed that a majority of buyers and department managers are women but few women are senior executives? This might indicate discriminatory advancement policies within your company.

Have you noticed the number of times that businesses connive with competitors on such things as pricing, coercion of suppliers to restrict outlets, and pressuring resources for discriminatory pricing? This might indicate a violation of both the "free enterprise system" and the Federal Trade Act.

Have you noticed the number of times executives carefully walk through poorly lit, unsafe work areas without ever ordering corrections? This might be a violation of the Occupational Safety and Health Act.

The need is for senior executives of leading retail firms, so that they can be at peace with themselves, to publicly support adequate penalties for companies and executives who knowingly disregard laws and regulations in a manner that endangers fellow human beings.

THE IMPACT OF IMPORTED GOODS

At the present time the United Auto Workers is trying to threaten the Japanese manufacturers, the Japanese government and the United States government with the claim that imported cars are the cause of reduced employment and major losses for United States car manufacturers (Ford and Chrysler each lost more than $1 billion pre-tax in 1979 in domestic operations and General Motors made only a moderate profit).

No one discusses the fact that if General Motors, Ford and Chrysler had been more sensitive to the obvious demands of the American public they could have started making small cars two decades ago and there might not have been a foreign car invasion.

In 1960 when imports (mainly Volkswagon) were approaching 600,000 a year, the Big Three did respond with the Corvair, Falcon and Valiant. There are many who will swear that the 1960 Falcon was one of the best conceived small cars ever produced. In any case, the Big Three let their compacts grow bigger, after a minor dent in the flow of imported cars, apparently persuaded that the American public was returning to its senses and buying traditional road locomotives.

The table below shows the relationship of our trade deficit, oil imports and car imports:

(All figures in billions)

	1977	1978	1979 (11 Months)
Oil Imports	$41	$39	$50
Car Imports	16	19	20
Overall Trade Deficit	(26)	(26)	(22)

(Source: Survey of Current Business, January 1980)

It is apparent that if GM-Ford-Chrysler had (1) provided the U.S. market with the economical, high-mileage, quality cars customers wanted, that car imports would have been less (and the balance of trade more favorable), and (2) with a higher proportion of smaller cars starting back in 1960, our reliance on foreign oil would be less, the amount of imports less, and our world problems reduced.

Few writers or papers properly place on General Motors the blame for our present economic position (which includes much of our inflation) as a result of the GM philosophy that "What is good for General Motors is good for the United States." (This statement was made by Secretary of Defense Charles Wilson, previously President of General Motors, during the Eisenhower presidency, 1953-1961).

Now the auto unions are crying for nationalism, protectionism, and all the undesireable elements destructive to a free enterprise system.

For an insight on what happens in industries that fail to serve their market with products as good as imports (which, incidentally, run a relatively small percentage of all manufactured goods in the United States), consider The Sunday Times (London, February 10, 1980) article " 'Mythical' threat of Third World imports" in which they reported a study made by the British Foreign Office of some 22 industries significantly affected by imports from developing countries between 1970 and 1975. (Note: Imports into Britain have increased substantially since 1975).

The table below shows the breakdown of the reasons for 428,300 lost jobs:

Reason	Jobs Lost
Falling home demand	52,800
Rising productivity at home	214,300
Falling exports to non-Third World Countries	20,800
Rising Imports from non-Third World Countries	92,600
Falling exports into Third World Countries	800
Rising imports from Third World Countries	47,000
	428,300

RThought: Between the lack of loyalty of United States based multi-national oil companies to the United States in their pursuit of profits (largely through accounting for profits as outside the United States) and disregard by General Motors of the expressed wishes of American car buyers, we now (4/8/80) face a prime rate of 20%, restrictions on credit, and a planned increase in unemployment combined with reduced stature throughout the world. One might say to General Motors, who must bear much of the responsibility—"Well done, GM."

INFLATION—AS THE FOOD SHOPPER SEES IT

One of RT's regular readers methodically records all purchases in a "little black book." Although originally intended as a record of "where the money went" it also indicates dramatically what has happened to prices:

Northridge & Orowheat Breads	8/78	$ .69	12/78	$ .75	3/80	$ .93
Devonshire "Rounds"	6/78	.72	1/79	.83	12/79	.96
Kellogg's 12 oz. Product 19	7/78	.89	11/78	1.05	12/79	1.21
Challenge Sweet Butter 8 oz.			1/79	.94	2/80	1.13
Minute Maid 6 oz. Orange Juice	12/78	.53	12/79	.63	2/80	.69
Birdseye 12 oz. squash			11/78	.40	2/80	.51
Birdseye spinach souffle			2/79	.69	2/80	1.09
Chun King chow mein			7/78	.99	11/79	1.41
Birdseye macaroni/cheese			10/79	.75	2/80	.99
Stouffer chipped beef	3/79	1.93	12/79	2.19	2/80	2.39
Papaya, medium			12/78	.89	2/80	1.49
Bananas, 1 lb.	12/78	.33	2/79	.35	2/80	.49
Mrs. Fishers Noodles 8 oz.			7/79	.49	2/80	.69
Fritos dip			8/79	.63	2/80	.79
Scot Towels twin pack (100 sq. ft.)			1/79	.78	2/80	.99

RThought: This is what is concerning your customers. And it is this type of action within the competitive free enterprise system that is leading many of the recipients of the benefit of that system to clamor for price controls.

RT does not want to imply that current prices are a result of more than necessary increases to maintain former margins—but will await with great interest the reports on 1979 operations to see what happened to industry-wide gross margins. A dramatic increase could be interpreted as being more than required price increases, and lend weight to those consumer groups who now claim such as fact.

YOU HAVE TO WORK TO GET YOUR MONEY BACK FROM PENNEY'S

I made a large purchase (over $500) of J. C. Penney catalog merchandise that proved to be unsatisfactory. I called the Reno catalog center and they promptly verified that the merchandise was not proper and authorized the return—which took some time to pack for pickup. The credit was promptly issued, even before the merchandise was returned.

The problem then became one of getting a cash refund of the credit balance since no purchases of that amount were contemplated in the near future. After allowing a reasonable time for the returned goods to get back to Reno, a telephone call was made to the regional credit office February 14th, asking for a refund. When this was not received, a demand letter was sent on March 4, 1980.

When this did not produce any results, my secretary called on March 17th and was told that because her signature was not on the account that they could not give her any information (a correct move). However, it would take two days to get the information (!) and the clerk would start that process.

On March 19th, I called and was told rather casually by the person handling the call that she had been on vacation and really didn't know what had been done in her absence. In any case, it would take 3 or 4 days to get the information! I asked to speak to the manager of the Oakland credit office and was told that she was "away from her desk"(!).

I think I got the employee's attention when I told her that I was sending a letter to the Federal Trade Commission to report J. C. Penney for violation of Truth in Lending. I also called a friend at Penney's NYC headquarters so that they would know what was happening in their Oakland Office.

By late afternoon on March 19th, there was a call back to my office saying that they normally sent checks out after 90 days (apparently they thought I didn't know that such a procedure applied **only** if I made no request for the return) but that they would send a check. However, he said it would be 4 or 5 days before I received it because the mail was always slow (!).

The check was cut on March 20th and received on March 21st.

RThought: It is difficult for large credit departments to know just how well their offices are operating. I know of none that do as much checking on credit operations as they do on the honesty of sales clerks through a shopping service. It would seem worth the effort to establish some dummy credit accounts that would be scheduled to test such internal operations as notification when payments are skipped, automatic return of credit balances, promptness of posting payments, and all the other points of contact with a customer—contacts where things often go wrong.

Often a company policy doesn't operate properly. There is many a slip twixt the cup and the lip.

SEARS WILL COPY DOC WEBB

In the years right after World War II, James Earl "Doc" Webb, who built Webb City into a St. Petersburg institution (unfortunately, it has since fallen on bad times and recently filed under Chapter XI), recognized the need for additional equity capital for an expansion program. When he discussed the matter with local investment bankers he was aghast at their charges to raise money for him.

After due consideration, he obtained a permit to issue preferred stock and then ran a newspaper ad in the local paper offering the shares for sale in any amount from 1 share up. A small desk was placed just inside each door to his giant store. Within hours of his announcement the state authorities were demanding that he stop his sales and go through the high-cost investment bankers.

Undaunted, his attorneys kept the authorities off for two days during which time all the authorized shares were sold. He then consented to an order not to sell any more!

All of this was brought to mind by a recent article in The Times (London) covering Sears Roebuck's visits to the Eurodollar market to raise substantial amounts of money. In the article they quoted Jack Kincannon, Vice Chairman, who reported that a survey of Sears' customers indicated that a direct offer of stock would be a big success! Mr. Kincannon indicated that within the next few months Sears would probably move into the securities brokerage business and would try to sell customers some $250 million of 2 to 8 year notes.

RThought: RT sincerely hopes that the parallel with Webb City doesn't go any further than a successful sale of securities.

NAMES IN THE FTC

Montgomery Ward: Wards advised some 200,000 purchasers of wood-burning heaters and Franklin fireplaces that they could place them closer to a wall than is safe. Wards is offering to relocate the units and/or to install protective heat shields as needed. If the purchaser is not satisfied with this, Wards will remove the stove, refund the full purchase price and make reasonable repairs necessitated by the removal.

DO YOU HAVE A PROBLEM TRANSLATING FOREIGN CURRENCY?

Most retailers are not involved in translating foreign currency on the balance sheet. But more will be as the years go by and retailers, like other businesses, become multinational.

One of the best reviews I have seen appeared in the February 1980 issue of FINANCIAL EXECUTIVE (633 Third Avenue, NY NY 10017, $2.50/copy). The article, "FASB No. 8 and the Decision-Makers" is extracted from a more detailed study, a monograph "Assessing the Economic Impact of FASB No. 8" sponsored by the Financial Executive Research Foundation.

WORDS TO LIVE BY

With the approach of baseball season it is appropriate to offer a double header. The first will guide us on how we spend each day, taken from a plaque offered in a mail order catalog; and the second is a poem from Modern Maturity magazine to help us critique the day mentioned in the plaque.

"This is the beginning
of a New Day.
God has given me this day
To use as I will.
I can waste it
or grow in its light
and be of service to others.
But what I do
with this day is important
because I have exchanged
a day of my life for it.
When tomorrow comes,
today will be gone forever.
I hope I will not regret
the price I paid for it.

* * * * *

CLEARLY

Hindsight is what
We wouldn't have needed
If foresight was what
We had had and heeded.

May Richstone
Rego Park, N.Y.

Date: April 1, 1980

Permissions Editor:

I am preparing a textbook on Marketing and Society

to be published by Prentice-Hall, Inc., on or about January 1981

My book will make approximately 400 pages and will be

☐ case bound ______ (est. price)   ☒ paper bound 12.95 (est. price)

Trade sale:

May I please have your permission to include the following:

"Why Does Management Allow Incompetents to Handle Complaints?"
Retailing Today, April 1979, p. ___.

Put on RT

in my book and in future revisions and editions thereof, including

☒ nonexclusive distribution rights in the United States and its possessions and Canada in the English language
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These rights will in no way restrict republication of your material in any form by you or by others authorized by you. Should you not control these rights in their entirety, would you kindly let me know to whom else I must write.

Unless you indicate otherwise, I will use the following credit line:

"Why Does Management Allow Incompetents to Handle Complaints?"
Retailing Today, April 1978, p. ___, used with permission.

I would greatly appreciate your consent to this request. For your convenience, a release form is provided below and a copy of this letter is enclosed for your files.

Sincerely, J. CARLSON

J Carlson

1391 NORMANDY DR., N.E., ATLANTA, GA 30306 (address)

I (we) grant permission for the use requested above.

Jul 6, 1980 (date)   Robert Kahn, Publisher

My apologies for the delay--this
got put aside during a travel period and uncovered on
a long weekend.

9.1-4105D

RETAILING TODAY

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MAY 1980

VOL. 15, NO. 5

COSTLY GASOLINE AND CHANGING HABITS

The Roper Report 79-10 asked a broad sample of people what they are doing more of than they used to. The timing was the fall of 1979, well after the start of the gasoline price escalation. Sunset Magazine, in their **Newsletter** (Jan.-Feb. 1980, Lane publishing Co., Menlo Park, CA 94025) compared the pattern in the west (11 western states plus Alaska and Hawaii). Retailers will be interested in the following changes, selected from a larger list:

	For the U.S.	In the West
Reading books	38%	46%
Buying in large quantities and shopping less often	37	44
Phoning to see if item is in stock	29	42
Shopping in large shopping centers	29	29
Going to take-out places for food	19	21
Eating out in restaurants	17	19
Shopping at stores not located in main shopping area	14	13

PRACTICAL STAFFING STANDARDS

In much of retailing the personnel and operating departments worship payroll percentages. Personnel departments have wonderfully elaborate computer programs for planning right down to the exact number of hours a department or branch store should have. This is fine if you are a non-service or check-out store (many stores that think they are service stores but really do nothing but check-out customers–use this system).

If you are–or think you are–a service store with qualified salespersons to meet and serve your customers, then I offer the thoughts that Joe McNichols included in his April 1980 newsletter (**McNichols Furniture Merchandising Newsletter**, Box 584, Palos Heights Illinois 60463, $29/year).

> **"Aggressive furniture retailers are increasing their advertising budgets these days to gain ground at the expense of the dropouts.**
>
> **"(Dropouts include merchants who do their cost cutting in the advertising department–those who plan sales decreases and achieve their plan–retailers who hire additional salespeople for their salesforce before they maximize their present force.)**
>
> **"Too many managers overload sales floors with excess salespeople. They hire 'bodies.' If you employ 4 salespeople who deliver $1,000,000 total, they need retraining, motivation and perhaps a pink slip. But, they don't need a 5th salesperson. A full time salesperson should write a minimum of $300,000 annually. In a $1,000,000 to $1,500,000 store at least one star salesperson should exceed $400,000. If your volume exceeds $2,000,000 you should hire a professional retail sales trainer once a year. Contact us and we will refer you to an expert who has no connection to our corporation."**

RThought: I know many stores that should be writing to Joe McNichols.

DO MEMBERS OF THE INDUSTRIAL PAYROLL SAVINGS COMMITTEE BUY BONDS?

I am sure that question comes to mind each time one sees the full page ads in trade magazines. The current committee includes four retailers: Edward F. Gibbons of Woolworth, Avram J. Goldberg of Stop and Shop, W. L. Hadley Griffin of The Brown Group, and Thomas M. Macioce of Allied Stores. I wrote to all four and received replies from two.

A quote from those two will indicate their support for savings bonds, despite the fact that there is criticism of the return paid by the government in light of other interest rates. The benefit that comes through from each letter is the ease of regular savings through payroll deduction.

One wrote"'I do not recall . . . how long I have been buying bonds, but the period must extend for at least 30 years. I recall having to use some of them to pay the obstetrician who presided at the difficult birth of one child."

The other said "I have purchased savings bonds, starting 34 years ago when a child was born . . . subsequent to that I purchased bonds for my grandchildren."

THE NEED FOR THE F.T.C.

On March 5, 1980 the Federal Trade Commission announced an agreement with General Motors Acceptance Corporation, one of the largest financial institutions in the United States and part of the largest manufacturing company in the world.

What did the agreement provide? Merely that GMAC would stop cheating thousands of people whose cars were repossessed–and that GM would refund $2 million of the money they stole from such people. The announcement does not contain the customary statement that General Motors is entering into the agreement without admitting any wrong doing.

The principle is very simple. When GMAC repossessed a car that could be sold for more than the balance due (the contract says the excess belongs to the former owner) they would conduct a "sham" transaction with themselves called a "title-clearance sale" by which GMAC acquired title for less than fair value (at a figure approximating the balance due on the contract) and then would return the car to the original dealer. The dealer would now own the car at an artificially low price and could re-sell it making a profit on the transaction.

GMAC is required to establish new procedures which all GM dealers, under their franchise agreement, must follow.

RThought: The free-enterprisers like to tell us that bad conduct like this will be overcome by consumers who will force such firms out of the market. Can you see consumers forcing General Motors out of the market? Could any consumer group (including Ralph Nader) have forced General Motors to quit stealing?

RThought: It isn't just General Motors that does this. In 1970 I was brought into a case of repossession by Security Pacific National Bank. The facts were as follows: The balance due on the contract was $1,281.44 (Security failed to credit to the balance the unearned pre-computed finance charges so the balance was overstated); the low bluebook value at the date the car could be sold was approximately $1,250 and the high about $1,800 (the car was in good condition); and Security reported the car was sold for only $600!

When the matter was put in the hands of a collection agency I advised the agency that I would require documentation for my client as to why and to whom the car was sold for $600. When I indicated that I kew that the car was now owned by someone 300 miles away from the point of repossession and that I was prepared to contact that person and find out how they acquired the car and the price they had paid, the correspondence with the collection agency ended and no word has been heard from Security Pacific during the past 8 years.

STAYING IN NEW YORK CITY IS INEXPENSIVE–COMPARATIVELY!

The **Financial Times** of London, as reported by Deloitte Haskins & Sells in their excellent **The Week In Review**, developed an index of relative costs for a typical business trip to major cities around the world.

The index is based on the total cost, converted into British Pounds, as of November 13, 1979 (with a stronger dollar since then, most cities would be cheaper relative to NYC), for the following package of goods: 3 nights hotel and breakfast, 2 a la carte dinners at a first class international hotel, one dinner at an average restaurant, 3 bottles of house wine, one hotel lunch, two snack meals, one 5 kilometer taxi trip and 5 whiskies:

City	Index
London	100
Jeddah	97
Paris	96
Frankfurt	91
Tokyo	84
Moscow	84
New York	76
Rio de Janeiro	67
Rome	50
Johannesburg	42
Peking	24

Where are the bargains? For taxis go to Rio and Peking, for whisky it is Peking and Johannesburg, and the same two for bed and breakfast and restaurant meals. The cheap house wines are in Peking, Jeddah (Moslems are not supposed to drink) and Rome.

FINANCIAL WORLD HONORS RT SUBSCRIBERS

Each year FINANCIAL WORLD selects their CEO Honor Roll, the best chief executive officers in America's mo important industries. Retailing is divided into three industr with the following CEO's honored:

	Department and Chain Stores	Grocery Stores, Supermarket Chains and Wholesalers	Specialty and Other Retail Stores
Bronze Winner	Donald B. Smiley Macy's	Wayne H. Fisher Lucky Stores	Sam Walton Wal-Mart
Certificates of Distinction (Alphabetically)	William A. Andres Dayton-Hudson	Jack J. Crocker Super Value	Charles Lazarus Toys R Us
	Philip M. Hawley Carter Hawley Hale	Lyle Everingham Kroger	Stuart Turley Jack Eckerd

Every winner is running an outstanding company and has contributed greatly to the success of that company.

RT is proud that two-thirds of this outstanding group read RT.

COMPLYING WITH THE FOREIGN CORRUPT PRACTICES ACT

Even though the title, Foreign Corrupt Practices Act, is completely misleading and should be the basis of action by the Federal Trade Commission against the Congress, the board of directors of retail companies subject to registration with the Securities and Exchange Commission should be concerned about compliance with the requirement that each business have satisfactory day-to-day controls.

Touche Ross has prepared the "Touche Ross Retail Store Internal Control Systems Documentation Manual" which consider to be oustanding. I have seen several of the manuals put out by other Big Eight accounting firms and although each undoubtedly contains as much information as the Touche Ross manual, Touche Ross has structured theirs in the form of a checklist that any chief financial officer/controller/internal auditor can use or can modify easily to meet the needs of his company.

Here is an example of the detail. Under Traffic the "Desired Control" is "Purchase Orders should contain explicit routing instructions." The Compliance Questions, with boxes for indicating "not applicable, yes or no" are:

A. Do purchase orders contain explicit routing instructions, FOB point, and destination?

B. Is the traffic department responsible for issuing instructions for proper routing?

C. Does the buyer use these instructions in completing his purchase order? (Note: a non-sexist approach would have substuted the word "the" for "his" in the question above.)

The book is divided into the following divisions:

- Purchasing – Merchandise
- Purchasing – Nonmerchandise
- Selling
- Electronic Data Processing
- General Accounting
- Internal Audit

RThought: Bill Power, head of Retail Services for Touche Ross, has been kind enough to make this manual available to

CREDIT OFFICE RATING

Although the Honor Roll continues to be much shorter than in the past, RT would like to recognize the fine performance of Liberty House-California and Macy*s, New York. When stores that size can get their statements out on the second working day after the cycle closing date they are proving that any retailer can do it if they address the problem properly.

Not only does a short billing period give your customers a break, it brings in payments earlier thus reducing the amount outstanding (perhaps avoiding a 15% interest-free deposit with the Federal Reserve) and reduces your interest costs.

HONOR ROLL

Liberty House	1.5	Gimbel's, Philadelphia	3.5
Macy*s New York	2.0	Mervyn's	4.0
Rubenstein's	2.7	Marshall Field	4.0

CREDIT OFFICE RATING

Information From Reporters	FEB.-MARCH 1980 No. of Reports	FEB.-MARCH 1980 Days to Bill Average	FEB.-MARCH 1980 Days to Bill Range	DEC. 1979-JAN. 1980 No. of Reports	DEC. 1979-JAN. 1980 Days to Bill Average	DEC. 1979-JAN. 1980 Days to Bill Range
B. Altman, (NY)	1	5.0	5	2	5.0	5
Bloomingdale's (NY)	1	6.0	6	--	--	--
Brooks Bros., (NY)	2	7.0	5-9	1	12.0	12
Bullock's (S. CA)	2	7.5	7-8	2	9.5	8-11
Bullock's (N. CA)	2	8.5	5-12	1	9.0	9
Capwell's (N. CA)	7	4.7	4-5	7	5.7	5-7
Emporium (N. CA)	3	5.3	5-6	4	7.8	5-11
Foley's, Houston	1	8.0	8	2	9.5	8-11
Gump's, (N. CA)	2	30.5	18-43	4	39.5	28-45
Hastings (N. CA)	1	8.0	8	--	--	--
Hudson's Bay, Calgary	2	5.0	4-6	1	7.0	7
Liberty House (N. CA)	2	1.5	1-2	1	2.0	2
Livingston Bros. (N. CA)	2	7.0	7	3	7.7	6-10
Macy*s (NY)	1	2.0	2	1	2.0	2
Macy*s (N. CA)	5	3.8	3-4	10	5.7	4-9
I. Magnin (N. CA)	11	6.9	5-7	5	6.8	6-9
Marshall Field, Chicago	1	4.0	4	2	4.5	4-5
May Co. (S. CA)	2	4.5	4-5	--	--	--
Montgomery Ward (N. CA)	1	9.0	9	1	3.0	3
Saks 5th Avenue (NY)	1	10.0	10	3	9.7	9-10
Sears (S. CA)	1	7.0	7	--	--	--
Sears (N. CA)	6	7.7	6-13	6	7.8	6-14
Shreve & Co. (N. CA)	1	7.0	7	2	7.5	6-9
Smith's (N. CA)	1	7.0	7	1	8.0	8
Wanamaker, Philadelphia	1	7.0	7	1	7.0	7
Weinstock's (N. CA)	2	5.0	5	2	5.5	5-6
TOTAL	62	6.7	1-43	62	8.9	2-45

Information From Stores	FEB.-MARCH 1980 No. of Reports	FEB.-MARCH 1980 Days to Bill Average	FEB.-MARCH 1980 Days to Bill Range	DEC. 1979-JAN. 1980 No. of Reports	DEC. 1979-JAN. 1980 Days to Bill Average	DEC. 1979-JAN. 1980 Days to Bill Range
Carlisle's, Ashtabula	2	6.0	6	2	6.5	6-7
Gimbel's, Philadelphia	36	3.5	3-4	36	3.6	3-4
Holman's (N. CA)	10	7.7	5-10	--	--	--
Ivers (S. CA)	10	6.4	5-8	10	11.0	7-13
Iveys' (Carolinas)	20	4.2	2-7	2	5.2	3-7
Levy Bros. (N. CA)	8	4.1	3-5	8	4.4	3-6
Mervyn's (N. CA)	20	4.0	3-4	20	4.4	4-5
Ross Stores (N. CA)	4	4.8	4-7	6	6.0	4-8
Rubenstein's, Shreveport	6	2.7	2-3	3	2.7	2-4
Waldoff's, Hattiesburg	2	10.0	10	2	14	13-15
Wineman's (S. CA)	2	4.5	4-5	2	5.5	5-6
TOTAL	120	4.5	2-10	109	5.2	2-15

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.

WHY RT PUBLISHES ADDRESS AND SUBSCRIPTION COSTS: RT gets ideas from other publications and feels that readers may want to obtain the complete document. RT is always annoyed when a citation is given without an address and often spends hours tracing down the source. The publication quoted does not know that it is being cited and RT gets nothing beyond the good feeling that comes from plugging a good source for RT readers.

MEN CAN TAKE IT—AND TAKE IT—AND TAKE IT

Recently, I brought all my books on retailing together in one section and in the process started looking through one of my favorites, "Men Can Take It," by Elizabeth Hawes, illustrations by James Thurber, published in 1939 and read in 1940. Hawes also wrote "Fashion in Spinach."

I started flipping the pages and reading the underlinings and the marginal notes I made 40 years ago. This was written in the days when Fortune said a family of 4 needed $32.50 a week to live on with "necessities and a few inexpensive pleasures." I first read the book when I was a recent Harvard MBA working at Macy's and I was getting $35.00 a week (BA's got $30.00 and the minimum wage, which most people got, was 40¢ an hour).

Hawes was a designer—of clothing and other things. The book was inspired by an item in a 1938 column reporting that an informal survey had shown that the average weight of a woman's summer costume was 1 pound 11 ounces while a man wore 5 pounds 9 ounces.

She started by visiting with and talking to (after providing free drinks) "men" at Harvard, Princeton and Yale plus a few minor schools like Williams. She had a few conclusions, one of which was "Still, I believe a good many men have absolutely no idea why, pet-dog-like, they are wearing their collars at work," and another was "I have tried to show that white collar men are not brought up to think, and in my opinion, their education is successful in a vast majority of cases." Time has, I think, proven her conclusions to be both correct and enduring.

She observed "However, no really fastidious man would go to business these days without a hat," after which I wrote "woe is me!" As a junior executive (training squad) at Macy's I had to have a hat to get in the executive door—as did all executives. We had them. The men carried theirs and, when put down, the brim curled like Teddy Roosevelt's Rough Rider hat. The ladies had it easier—they put an elastic from side to side of the sweat band and carried them over their arm with their purse. But this met the standards set by Mr. Jack I. Straus, then President.

This was when "Correct Fashions for Men—1939" put out by the Merchant Tailors of the United States and Canada talked of "porosity clothes" that would sweep the scene. Hats, shoes, ties, belts, braces, and shorts would have perforations or open mesh to allow free circulation of air. They daringly predicted ". . . for men who travel by aeroplane (sic), this will be a great asset to them, for they will be able to carry a modest wardrobe of 'porosity garments' which will **not weigh more than 20 pounds.**" (Emphasis is mine!)

Hawes commented about leather sweat bands in hats and the lack of circulation. There has been no change.

The vest has been brought back, with its 2 to 4 additional layers of cloth, after being away for a long time. I guess manufacturers want to protect us from the air conditioners or furnaces in our buildings—it certainly isn't because the male executive spends his time fighting the elements and needs a vest.

What about a man's neck? Hawes wrote "Here we find 6 thicknesses of material fastened closely to the man's neck for the purpose of—for the purpose of keeping his chin up, I guess. Lest his chin should not keep up high enough, 3 thicknesses of necktie are inserted." Unfortunately, she felt it necessary to protect the necktie a bit as "the only source of color in his costume, his sole means of expressing his individuality."

She had a few comments about suit coats. "If they fit properly, they can't be sat down in without being unbuttoned, which is pretty silly." She feels that "many men hold no brief for the suit coat except as a means of covering up their perspiration-soaked shirts."

And around our middle? She pointed out "over our skin is some thin cotton underwear. I believe that most men wear underpants. Some do not wear undershirts. The main reason given for wearing undershirts in summer at work is that they absorb the moisture which is so rapidly accumulated in the hot house. Over the shorts goes a pair of trousers, over the undershirt goes an overshirt. Around the neck, the collar is fastened and a tie is under the collar."

All of this is then cinched in place with a belt to insure that there is no air circulation and that there is little or no give when our body circumference changes as we sit down.

RThought: I had just finished reviewing the ads in **Men's Wear**, showing the works of Yves Saint Laurent, Oleg Cassini, Pierre Cardin and John McCoy, and what did I find them designing? Suit coats with stiff collars, coats that have to be unbuttoned when you sit down. And the models showing the suits have 6 layers of shirt collar around their neck held in place with 3 thicknesses of necktie. And at the waist they have a shirt, pants, and presumably, underpants cinched in place with a belt! And all of this in synthetics that are even hotter than the cotton items of 1979.

Isn't it wonderful to have the benefits from all these famous designers who are really going to innovate in men's clothing? Hawes was arguing for designers to pay attention to men's clothing—and they have. Or have they?

RThought: Just as Hawes wrote only for what was called the "white-collar male," my views are only for the modern corporate executive. The coat and tie have been kept in place by our fine graduate business schools that turn out their graduates in a uniform. Men's wear stores are unwilling to provide leadership—perhaps on the theory that they know what they have now and a radical change might mean that men will buy their new style garments from some other kind of store. Their customers apparently feel the same—as indicated by a study, reported in the April RT, showing that in a men's store a salesman wearing a suit and tie outsold a salesman in an open collar shirt by 63%.

RThought: As I wander through the electronic firms in Silicon Valley south of San Francisco I see most of the scientific-types wearing open collars without coats and other uncomfortable clothing—perhaps they will design comfortable clothes into the "Office of the Future" on which they are working so hard.

the readers of RETAILING TODAY. Just write to Mr. William Power, Touche Ross and Company, 1633 Broadway, New York, N.Y. 10019 and say that Bob Kahn sent you.

SO THE RECESSION IS COMING

The trade press is going through the customary spasm of deploring the problems of business.

The Daily News Record, as reported by the Menswear Retailers of America Business Newsletter, quoted an unnamed manufacturer as saying "This will be the toughest time in many years. Factors have been turning down marginal accounts. **They insist that retailers adhere to credit terms**, and if they don't they either pay hefty interest penalties or they get cut off." (Emphasis added)

This raises two fundamental questions.

First, why shouldn't business be tough every year? What right does any businessman have to expect easy times? If everyone had easy times it would be proof that our "free enterprise system" was **not** working; while tough times every year means that each and every business is having to prove itself to their customers in each and every transaction. That is the way it is supposed to work. That is what all the businessmen say when they beg for the removal of government regulations and restrictions.

If one studied the performance of retailers during the depression period of the 1930's they will find that the firms that survived—and, in many cases, expanded and increased their profits—were the ones who did approach each day determined to win the battle for the customer's patronage. They tried to make their store a bit more appealing, they tried to make their advertising more certain to hit a responsive note in the consumer, they tried to see that their salespeople provided good service and showed an interest in the store's customers. They carefully watched the quality of their merchandise. They certainly watched their expenses but never cut expenses that would reduce their ability to serve customers well.

Second, why shouldn't the factors cut off people who don't pay for merchandise when it is due? Does a retailer really have a right to order merchandise, showing on the purchase order terms of 8% 10 EOM net 30 (or whatever is shown) and then not pay when that payment is due? It is no excuse that Federated Department Stores and others have tolerated a practice in the past among some of their larger units of paying late and still taking the discount during periods of high interest costs.

Ethical standards are personal. As to a business you own or head, one has the right to impute all of the ethical conduct—both good and bad—to you personally. If you want to permit people in your business to place orders knowing that you do not intend to pay for them when due, then you should not be surprised if people call you a chisler and a cheat. This is not to say that there cannot be a change in payments if events make it impossible to fulfill your commitment. Planned sales can drop drastically, competition may force you to sell the merchandise at a much lower price or people can be later than expected in paying their store accounts. I am only referring to the many people who do it intentionally—knowing at the time they place the order that they cannot or will not pay it when due.

I suspect that many of these people are among the ones who cry loudest about a factor (and it should also include the credit department of all the suppliers) when he cuts them off. One must remember that much of the early years when discount chains were growing rapidly they prided themselves on operating with little or no working capital by taking 30 to 90 days extra to pay their bills. This was part of what they called "the revolution in retailing." Just think of some of those famous revolutionary firms—Arlan's Giant Stores (not Giant Food in Washington), Interstate, National Bellas Hess, Virginia Dare Stores and many more.

RThought: It is good to be part of business during tough times. When you are successful, when you do increase business and protect or improve profits, you know that you did it through ability and skill—not because the members of a monopoly or cartel each moved over a bit and made room for you or because you bribed your way into a market.

There are, of course, those who will win by cheating—misrepresentation of merchandise or prices, illegal underpayment of employees, abuse of vendors through late payments—but the literature on the free enterprise system says that the buyers will somehow find this out and force them out of the market. Even if this doesn't happen and they appear to prosper, there is no logical reason for you to do it—any more than there was a logical reason to steal credit balances from your customer's charge accounts just because so many prominent national store groups once did it.

COMMERCIAL BRIBERY

At last the Federal government is going after firms that use gifts as a means of bribing purchasing agents, both in private industry and in federal, state and local governments. Affidavits were filed recently against two New York chemical companies (Mid-County Chemical Corp. and Thoroughbred Chemical Corp.) for such acts, based on a seizure of books and records pursuant to a search warrant. In addition to prizes, these companies used "bearer" gift certificates for up to $100, good at a national department store chain.

RT will continue to expose every one of these companies that we can identify, even when they are major firms such as Gillete, Bic, and other major firms. Commercial bribery is done by big firms, probably with more people being reached, as well as by small firms.

Gillete Company, Paper Mate Division, continues their attempts to bribe your buyers with personal items. One gross of Quick Silver ball pens gets a Waring Mixer, 2 gross gets a GE AM/FM digital clock radio. On orders for Ultra Fine Flair a gross gets you a Gillete Hair Dryer while 2 gross gets you an Osterizer Blender. One might suggest that both your supply buyer and your stationery department buyer be asked to swear under oath that Gillete, a great name in American business, has not bribed them.

HOW INFLATION IMPACTS OUR SOCIAL INTERCOURSE

Because most readers of RT are frequent travelers who experience the strain it places on family relations, I am sure you will appreciate the following letter which appeared recently in **The London Times** (once again in print).

> **"Sir, until recently, I could telephone my wife from any part of the country and inform her that I was well, all for the price of 2p. The increase time purchased by the newly increased minimum public telephone call charge of 5p means that now I have not only to inform her of my condition but to inquire as to hers.**
>
> **"The social consequences of this inflationary increase are to be deplored.**

Yours faithfully,

GEOFFREY NICE
Manor Farm,
Adisham,
Near Canterbury,
Kent"

EMPORIUM AND CAPWELLS ARE ONE!

For decades before Carter Hawley Hale acquired the Emporium-Capwell Company, the two names operated separately. The Emporium, on Market Street in San Francisco, dates back to the Golden Rule Bazaar in the pre-1906 fire days while Capwells wandered from 12th and Washington Streets to 14th and Clay to 20th and Broadway in Oakland over the same years.

When Capwells was acquired by The Emporium in the 1920s, cotton dresses were important–and the season started much earlier in Oakland than in San Francisco (San Francisco is the only major metropolitan area in the United State–perhaps in the world–where the climate in the central city is significantly different from that in the balance of the area). The dichotomy was preserved so that each store could time their merchandising to the climate.

After World War II, branches were added under both names–and cotton dresses became much less important. Effective May 1 they will all become Emporium Capwell (certain to be shortened soon to Emporium). They haven't solved the climate problem–it is just that downtown San Francisco is a much less significant part of the volume.

RETAILERS MOVE TO BREAKDOWN COLOR BARRIER IN SOUTH AFRICA

A recent United Press story reported that the three large department stores in downtown Johannesburg joined the growing number of restaurants that are eliminating the "whites only" policy. OK Bazaars ran an ad announcing the change and were followed by Greaterman's and John Orr's.

After making the change in Johannesburg, OK Bazaar announced that they would make similar changes in their downtown stores in Cape Town, Port Elizabeth and Durban, the other major metropolitan areas.

The change is now taking place in the downtown areas because the whites have moved to the suburbs, as in the United States, leaving the blacks in the central city areas. But it also reflects the growing purchasing power of the blacks.

FAITHFUL HARROD CUSTOMERS

Retail News, February 1980, published by the New Zealand Retailers Federation, reports that the Saudi Arabian oil millionaires so miss Harrods when they are at home that they have raised $30 million to build a half-size replica of Harrod's in Mecca, complete with canopies that shade the outside windows. They plan to stock their store with the best goods from around the world, just as the London Harrods does.

Unfortunately, they will not be able to use the name or the yellow logo (perhaps they will call it Dorrahs?). They will have less area in glass windows to keep down the air-conditioning costs. And finally, no salesladies, just salesmen, as Moslem women are barred from working in stores.

WORDS TO THINK ABOUT

Over the years I have enjoyed my contacts with the National Association of College Stores, which included addressing several of their annual meetings.

It also gave me a chance to read The College Store Journal and the writings of Max L. Williamson, editor. Just after he retired he was asked to give "The Discourse" at their 56th Annual Meeting and I think you will enjoy this part of it as I did.

THE STARTING POINT–YOU AND ME

"It is said that the minerals and chemicals composing our body can be purchased over the counter for a few dollars. This conglomeration of inorganic matter, when something called integrity is added, becomes worth millions. The value increases tremendously with a few grains of common sense and much more with initiative stirred in.

"Finally, the inclusion of faith–no bigger than a mustard seed in size–turns this commonplace batch of drugstore chemicals into something which cannot be bought for all the gold in the world.

"Think of it this way. A plain bar of iron has a five dollar price tag, but its value will double if it is made into horseshoes. Should it be turned into needles, its worth leaps to more than four thousand dollars. And if that bar of iron becomes balance wheels for watches, it achieves a value of a quarter of a million dollars.

"The same pattern applies to another kind of material–you and me. Our value, like that of the bar of iron, is determined by what we make of ourselves. And what we make of ourselves is essential for what we are able to make of our world.

"Reputation and character, in effect, are shadow and substance. Pathetic are those who build up the first at the expense of the second, only to lose both.

"Our reputation, like a shadow, sometimes goes before us making a great to-do about nothing. At times it lags behind, according some measure of fame no longer deserved. On occassion it is bigger than we are, or it is smaller, perhaps never reflecting our true stature at all. But when we stand under the judgement of our peers, like a tower at midday, our shadow does not exist. All we are is our character.

"Miles apart are character and reputation for character has substance. It is as long at noonday as it is at evening. It has weight, carries an impact and when it passes there is left an empty space.

"To be sure, we can suffer the loss of our reputation and still retain our character. But on the other hand, it is impossible for character to disintegrate without reputation following after.

"People, according to John Newbern, can be divided into three catagories–those who make things happen, those who watch things happen and those who wonder what happened. The choice of category is yours, but remember well what Sancho Panza said to Don Quixote . . .

" 'Tell me what thou hast sown today and I will tell you what thou shalt reap tomorrow.' "

than fair value (at a figure approximating the balance due on the contract) and then would return the car to the original dealer. The dealer would now own the car at an artificially low price and could re-sell it making a profit on the transaction.

GMAC is required to establish new procedures which all GM dealers, under their franchise agreement, must follow.

RThought: The free-enterprisers like to tell us that bad conduct like this will be overcome by consumers who will force such firms out of the market. Can you see consumers forcing General Motors out of the market? Could any consumer group (including Ralph Nader) have forced General Motors to quit stealing?

RThought: It isn't just General Motors that does this. In 1970 I was brought into a case of repossession by Security Pacific National Bank. The facts were as follows: The balance due on the contract was $1,281.44 (Security failed to credit to the balance the unearned pre-computed finance charges so the balance was overstated); the low bluebook value at the date the car could be sold was approximately $1,250 and the high about $1,800 (the car was in good condition); and Security reported the car was sold for only $600!

When the matter was put in the hands of a collection agency I advised the agency that I would require documentation for my client as to why and to whom the car was sold for $600. When I indicated that I kew that the car was now owned by someone 300 miles away from the point of repossession and that I was prepared to contact that person and find out how they acquired the car and the price they had paid, the correspondence with the collection agency ended and no word has been heard from Security Pacific during the past 8 years.

STAYING IN NEW YORK CITY IS INEXPENSIVE–COMPARATIVELY!

The **Financial Times** of London, as reported by Deloitte Haskins & Sells in their excellent **The Week In Review**, developed an index of relative costs for a typical business trip to major cities around the world.

The index is based on the total cost, converted into British Pounds, as of November 13, 1979 (with a stronger dollar since then, most cities would be cheaper relative to NYC), for the following package of goods: 3 nights hotel and breakfast, 2 a la carte dinners at a first class international hotel, one dinner at an average restaurant, 3 bottles of house wine, one hotel lunch, two snack meals, one 5 kilometer taxi trip and 5 whiskies:

City	Index
London	100
Jeddah	97
Paris	96
Frankfurt	91
Tokyo	84
Moscow	84
New York	76
Rio de Janeiro	67
Rome	50
Johannesburg	42
Peking	24

Where are the bargains? For taxis go to Rio and Peking, for whisky it is Peking and Johannesburg, and the same two for bed and breakfast and restaurant meals. The cheap house wines are in Peking, Jeddah (Moslems are not supposed to drink) and Rome.

FINANCIAL WORLD HONORS RT SUBSCRIBERS

Each year FINANCIAL WORLD selects their CEO Honor Roll, the best chief executive officers in America's mo important industries. Retailing is divided into three industr with the following CEO's honored:

	Department and Chain Stores	Grocery Stores, Supermarket Chains and Wholesalers	Specialty and Other Retail Stores
Bronze Winner	Donald B. Smiley Macy's	Wayne H. Fisher Lucky Stores	Sam Walton Wal-Mart
Certificates of Distinction (Alphabetically)	William A. Andres Dayton-Hudson	Jack J. Crocker Super Value	Charles Lazarus Toys R Us
	Philip M. Hawley Carter Hawley Hale	Lyle Everingham Kroger	Stuart Turley Jack Eckerd

Every winner is running an outstanding company and has contributed greatly to the success of that company.

RT is proud that two-thirds of this outstanding group read RT.

COMPLYING WITH THE FOREIGN CORRUPT PRACTICES ACT

Even though the title, Foreign Corrupt Practices Act, is completely misleading and should be the basis of action by the Federal Trade Commission against the Congress, the board of directors of retail companies subject to registration with the Securities and Exchange Commission should be concerned about compliance with the requirement that each business have satisfactory day-to-day controls.

Touche Ross has prepared the "Touche Ross Retail Stores Internal Control Systems Documentation Manual" which consider to be oustanding. I have seen several of the manuals put out by other Big Eight accounting firms and although each undoubtedly contains as much information as the Touche Ross manual, Touche Ross has structured theirs in the form of a checklist that any chief financial officer/controller/internal auditor can use or can modify easily to meet the needs of his company.

Here is an example of the detail. Under Traffic the "Desired Control" is "Purchase Orders should contain explicit routing instructions." The Compliance Questions, with boxes for indicating "not applicable, yes or no" are:

A. Do purchase orders contain explicit routing instructions, FOB point, and destination?

B. Is the traffic department responsible for issuing instructions for proper routing?

C. Does the buyer use these instructions in completing his purchase order? (Note: a non-sexist approach would have substuted the word "the" for "his" in the question above.)

The book is divided into the following divisions:

Purchasing – Merchandise

Purchasing – Nonmerchandise

Selling

Electronic Data Processing

General Accounting

Internal Audit

RThought: Bill Power, head of Retail Services for Touche Ross, has been kind enough to make this manual available to

CREDIT OFFICE RATING

Although the Honor Roll continues to be much shorter than in the past, RT would like to recognize the fine performance of Liberty House-California and Macy*s, New York. When stores that size can get their statements out on the second working day after the cycle closing date they are proving that any retailer can do it if they address the problem properly.

Not only does a short billing period give your customers a break, it brings in payments earlier thus reducing the amount outstanding (perhaps avoiding a 15% interest-free deposit with the Federal Reserve) and reduces your interest costs.

HONOR ROLL

Liberty House	1.5	Gimbel's, Philadelphia	3.5
Macy*s New York	2.0	Mervyn's	4.0
Rubenstein's	2.7	Marshall Field	4.0

CREDIT OFFICE RATING

Information From Reporters	FEB.-MARCH 1980 No. of Reports	FEB.-MARCH 1980 Days to Bill Average	FEB.-MARCH 1980 Days to Bill Range	DEC. 1979-JAN. 1980 No. of Reports	DEC. 1979-JAN. 1980 Days to Bill Average	DEC. 1979-JAN. 1980 Days to Bill Range
B. Altman, (NY)	1	5.0	5	2	5.0	5
Bloomingdale's (NY)	1	6.0	6	--	--	--
Brooks Bros., (NY)	2	7.0	5-9	1	12.0	12
Bullock's (S. CA)	2	7.5	7-8	2	9.5	8-11
Bullock's (N. CA)	2	8.5	5-12	1	9.0	9
Capwell's (N. CA)	7	4.7	4-5	7	5.7	5-7
Emporium (N. CA)	3	5.3	5-6	4	7.8	5-11
Foley's, Houston	1	8.0	8	2	9.5	8-11
Gump's, (N. CA)	2	30.5	18-43	4	39.5	28-45
Hastings (N. CA)	1	8.0	8	--	--	--
Hudson's Bay, Calgary	2	5.0	4-6	1	7.0	7
Liberty House (N. CA)	2	1.5	1-2	1	2.0	2
Livingston Bros. (N. CA)	2	7.0	7	3	7.7	6-10
Macy*s (NY)	1	2.0	2	1	2.0	2
Macy*s (N. CA)	5	3.8	3-4	10	5.7	4-9
I. Magnin (N. CA)	11	6.9	5-7	5	6.8	6-9
Marshall Field, Chicago	1	4.0	4	2	4.5	4-5
May Co. (S. CA)	2	4.5	4-5	--	--	--
Montgomery Ward (N. CA)	1	9.0	9	1	3.0	3
Saks 5th Avenue (NY)	1	10.0	10	3	9.7	9-10
Sears (S. CA)	1	7.0	7	--	--	--
Sears (N. CA)	6	7.7	6-13	6	7.8	6-14
Shreve & Co. (N. CA)	1	7.0	7	2	7.5	6-9
Smith's (N. CA)	1	7.0	7	1	8.0	8
Wanamaker, Philadelphia	1	7.0	7	1	7.0	7
Weinstock's (N. CA)	2	5.0	5	2	5.5	5-6
TOTAL	62	6.7	1-43	62	8.9	2-45

Information From Stores	FEB.-MARCH 1980 No. of Reports	FEB.-MARCH 1980 Days to Bill Average	FEB.-MARCH 1980 Days to Bill Range	DEC. 1979-JAN. 1980 No. of Reports	DEC. 1979-JAN. 1980 Days to Bill Average	DEC. 1979-JAN. 1980 Days to Bill Range
Carlisle's, Ashtabula	2	6.0	6	2	6.5	6-7
Gimbel's, Philadelphia	36	3.5	3-4	36	3.6	3-4
Holman's (N. CA)	10	7.7	5-10	--	--	--
Ivers (S. CA)	10	6.4	5-8	10	11.0	7-13
Iveys' (Carolinas)	20	4.2	2-7	2	5.2	3-7
Levy Bros. (N. CA)	8	4.1	3-5	8	4.4	3-6
Mervyn's (N. CA)	20	4.0	3-4	20	4.4	4-5
Ross Stores (N. CA)	4	4.8	4-7	6	6.0	4-8
Rubenstein's, Shreveport	6	2.7	2-3	3	2.7	2-4
Waldoff's, Hattiesburg	2	10.0	10	2	14	13-15
Wineman's (S. CA)	2	4.5	4-5	2	5.5	5-6
TOTAL	120	4.5	2-10	109	5.2	2-15

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.

WHY RT PUBLISHES ADDRESS AND SUBSCRIPTION COSTS: RT gets ideas from other publications and feels that readers may want to obtain the complete document. RT is always annoyed when a citation is given without an address and often spends hours tracing down the source. The publication quoted does not know that it is being cited and RT gets nothing beyond the good feeling that comes from plugging a good source for RT readers.

MEN CAN TAKE IT–AND TAKE IT–AND TAKE IT

Recently, I brought all my books on retailing together in one section and in the process started looking through one of my favorites, "Men Can Take It," by Elizabeth Hawes, illustrations by James Thurber, published in 1939 and read in 1940. Hawes also wrote "Fashion in Spinach."

I started flipping the pages and reading the underlinings and the marginal notes I made 40 years ago. This was written in the days when Fortune said a family of 4 needed $32.50 a week to live on with "necessities and a few inexpensive pleasures." I first read the book when I was a recent Harvard MBA working at Macy's and I was getting $35.00 a week (BA's got $30.00 and the minimum wage, which most people got, was 40¢ an hour).

Hawes was a designer–of clothing and other things. The book was inspired by an item in a 1938 column reporting that an informal survey had shown that the average weight of a woman's summer costume was 1 pound 11 ounces while a man wore 5 pounds 9 ounces.

She started by visiting with and talking to (after providing free drinks) "men" at Harvard, Princeton and Yale plus a few minor schools like Williams. She had a few conclusions, one of which was "Still, I believe a good many men have absolutely no idea why, pet-dog-like, they are wearing their collars at work," and another was "I have tried to show that white collar men are not brought up to think, and in my opinion, their education is successful in a vast majority of cases." Time has, I think, proven her conclusions to be both correct and enduring.

She observed "However, no really fastidious man would go to business these days without a hat," after which I wrote "woe is me!" As a junior executive (training squad) at Macy's I had to have a hat to get in the executive door–as did all executives. We had them. The men carried theirs and, when put down, the brim curled like Teddy Roosevelt's Rough Rider hat. The ladies had it easier–they put an elastic from side to side of the sweat band and carried them over their arm with their purse. But this met the standards set by Mr. Jack I. Straus, then President.

This was when "Correct Fashions for Men–1939" put out by the Merchant Tailors of the United States and Canada talked of "porosity clothes" that would sweep the scene. Hats, shoes, ties, belts, braces, and shorts would have perforations or open mesh to allow free circulation of air. They daringly predicted ". . . for men who travel by aeroplane (sic), this will be a great asset to them, for they will be able to carry a modest wardrobe of 'porosity garments' which will **not weigh more than 20 pounds.**" (Emphasis is mine!)

Hawes commented about leather sweat bands in hats and the lack of circulation. There has been no change.

The vest has been brought back, with its 2 to 4 additional layers of cloth, after being away for a long time. I guess manufacturers want to protect us from the air conditioners or furnaces in our buildings–it certainly isn't because the male executive spends his time fighting the elements and needs a vest.

What about a man's neck? Hawes wrote "Here we find 6 thicknesses of material fastened closely to the man's neck for the purpose of–for the purpose of keeping his chin up, I guess. Lest his chin should not keep up high enough, 3 thicknesses of necktie are inserted." Unfortunately, she felt it necessary to protect the necktie a bit as "the only source of color in his costume, his sole means of expressing his individuality."

She had a few comments about suit coats. "If they fit properly, they can't be sat down in without being unbuttoned, which is pretty silly." She feels that "many men hold no brief for the suit coat except as a means of covering up their perspiration-soaked shirts."

And around our middle? She pointed out "over our skin is some thin cotton underwear. I believe that most men wear underpants. Some do not wear undershirts. The main reason given for wearing undershirts in summer at work is that they absorb the moisture which is so rapidly accumulated in the hot house. Over the shorts goes a pair of trousers, over the undershirt goes an overshirt. Around the neck, the collar is fastened and a tie is under the collar."

All of this is then cinched in place with a belt to insure that there is no air circulation and that there is little or no give when our body circumference changes as we sit down.

RThought: I had just finished reviewing the ads in **Men's Wear**, showing the works of Yves Saint Laurent, Oleg Cassini, Pierre Cardin and John McCoy, and what did I find them designing? Suit coats with stiff collars, coats that have to be unbuttoned when you sit down. And the models showing the suits have 6 layers of shirt collar around their neck held in place with 3 thicknesses of necktie. And at the waist they have a shirt, pants, and presumably, underpants cinched in place with a belt! And all of this in synthetics that are even hotter than the cotton items of 1979.

Isn't it wonderful to have the benefits from all these famous designers who are really going to innovate in men's clothing? Hawes was arguing for designers to pay attention to men's clothing–and they have. Or have they?

RThought: Just as Hawes wrote only for what was called the "white-collar male," my views are only for the modern corporate executive. The coat and tie have been kept in place by our fine graduate business schools that turn out their graduates in a uniform. Men's wear stores are unwilling to provide leadership–perhaps on the theory that they know what they have now and a radical change might mean that men will buy their new style garments from some other kind of store. Their customers apparently feel the same–as indicated by a study, reported in the April RT, showing that in a men's store a salesman wearing a suit and tie outsold a salesman in an open collar shirt by 63%.

RThought: As I wander through the electronic firms in Silicon Valley south of San Francisco I see most of the scientific-types wearing open collars without coats and other uncomfortable clothing–perhaps they will design comfortable clothes into the "Office of the Future" on which they are working so hard.

the readers of RETAILING TODAY. Just write to Mr. William Power, Touche Ross and Company, 1633 Broadway, New York, N.Y. 10019 and say that Bob Kahn sent you.

SO THE RECESSION IS COMING

The trade press is going through the customary spasm of deploring the problems of business.

The Daily News Record, as reported by the Menswear Retailers of America Business Newsletter, quoted an unnamed manufacturer as saying "This will be the toughest time in many years. Factors have been turning down marginal accounts. **They insist that retailers adhere to credit terms**, and if they don't they either pay hefty interest penalties or they get cut off." (Emphasis added)

This raises two fundamental questions.

First, why shouldn't business be tough every year? What right does any businessman have to expect easy times? If everyone had easy times it would be proof that our "free enterprise system" was **not** working; while tough times every year means that each and every business is having to prove itself to their customers in each and every transaction. That is the way it is supposed to work. That is what all the businessmen say when they beg for the removal of government regulations and restrictions.

If one studied the performance of retailers during the depression period of the 1930's they will find that the firms that survived–and, in many cases, expanded and increased their profits–were the ones who did approach each day determined to win the battle for the customer's patronage. They tried to make their store a bit more appealing, they tried to make their advertising more certain to hit a responsive note in the consumer, they tried to see that their salespeople provided good service and showed an interest in the store's customers. They carefully watched the quality of their merchandise. They certainly watched their expenses but never cut expenses that would reduce their ability to serve customers well.

Second, why shouldn't the factors cut off people who don't pay for merchandise when it is due? Does a retailer really have a right to order merchandise, showing on the purchase order terms of 8% 10 EOM net 30 (or whatever is shown) and then not pay when that payment is due? It is no excuse that Federated Department Stores and others have tolerated a practice in the past among some of their larger units of paying late and still taking the discount during periods of high interest costs.

Ethical standards are personal. As to a business you own or head, one has the right to impute all of the ethical conduct–both good and bad–to you personally. If you want to permit people in your business to place orders knowing that you do not intend to pay for them when due, then you should not be surprised if people call you a chisler and a cheat. This is not to say that there cannot be a change in payments if events make it impossible to fulfill your commitment. Planned sales can drop drastically, competition may force you to sell the merchandise at a much lower price or people can be later than expected in paying their store accounts. I am only referring to the many people who do it intentionally–knowing at the time they place the order that they cannot or will not pay it when due.

I suspect that many of these people are among the ones who cry loudest about a factor (and it should also include the credit department of all the suppliers) when he cuts them off. One must remember that much of the early years when discount chains were growing rapidly they prided themselves on operating with little or no working capital by taking 30 to 90 days extra to pay their bills. This was part of what they called "the revolution in retailing." Just think of some of those famous revolutionary firms–Arlan's Giant Stores (not Giant Food in Washington), Interstate, National Bellas Hess, Virginia Dare Stores and many more.

RThought: It is good to be part of business during tough times. When you are successful, when you do increase business and protect or improve profits, you know that you did it through ability and skill–not because the members of a monopoly or cartel each moved over a bit and made room for you or because you bribed your way into a market.

There are, of course, those who will win by cheating–misrepresentation of merchandise or prices, illegal underpayment of employees, abuse of vendors through late payments–but the literature on the free enterprise system says that the buyers will somehow find this out and force them out of the market. Even if this doesn't happen and they appear to prosper, there is no logical reason for you to do it–any more than there was a logical reason to steal credit balances from your customer's charge accounts just because so many prominent national store groups once did it.

COMMERCIAL BRIBERY

At last the Federal government is going after firms that use gifts as a means of bribing purchasing agents, both in private industry and in federal, state and local governments. Affidavits were filed recently against two New York chemical companies (Mid-County Chemical Corp. and Thoroughbred Chemical Corp.) for such acts, based on a seizure of books and records pursuant to a search warrant. In addition to prizes, these companies used "bearer" gift certificates for up to $100, good at a national department store chain.

RT will continue to expose every one of these companies that we can identify, even when they are major firms such as Gillete, Bic, and other major firms. Commercial bribery is done by big firms, probably with more people being reached, as well as by small firms.

Gillete Company, Paper Mate Division, continues their attempts to bribe your buyers with personal items. One gross of Quick Silver ball pens gets a Waring Mixer, 2 gross gets a GE AM/FM digital clock radio. On orders for Ultra Fine Flair a gross gets you a Gillete Hair Dryer while 2 gross gets you an Osterizer Blender. One might suggest that both your supply buyer and your stationery department buyer be asked to swear under oath that Gillete, a great name in American business, has not bribed them.

HOW INFLATION IMPACTS OUR SOCIAL INTERCOURSE

Because most readers of RT are frequent travelers who experience the strain it places on family relations, I am sure you will appreciate the following letter which appeared recently in **The London Times** (once again in print).

> **"Sir, until recently, I could telephone my wife from any part of the country and inform her that I was well, all for the price of 2p. The increase time purchased by the newly increased minimum public telephone call charge of 5p means that now I have not only to inform her of my condition but to inquire as to hers.**
>
> **"The social consequences of this inflationary increase are to be deplored.**

Yours faithfully,

GEOFFREY NICE
Manor Farm,
Adisham,
Near Canterbury,
Kent"

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"It is said that the minerals and chemicals composing our body can be purchased over the counter for a few dollars. This conglomeration of inorganic matter, when something called integrity is added, becomes worth millions. The value increases tremendously with a few grains of common sense and much more with initiative stirred in.

"Finally, the inclusion of faith—no bigger than a mustard seed in size—turns this commonplace batch of drugstore chemicals into something which cannot be bought for all the gold in the world.

"Think of it this way. A plain bar of iron has a five dollar price tag, but its value will double if it is made into horseshoes. Should it be turned into needles, its worth leaps to more than four thousand dollars. And if that bar of iron becomes balance wheels for watches, it achieves a value of a quarter of a million dollars.

"The same pattern applies to another kind of material—you and me. Our value, like that of the bar of iron, is determined by what we make of ourselves. And what we make of ourselves is essential for what we are able to make of our world.

"Reputation and character, in effect, are shadow and substance. Pathetic are those who build up the first at the expense of the second, only to lose both.

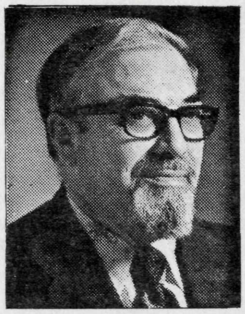
"Our reputation, like a shadow, sometimes goes before us making a great to-do about nothing. At times it lags behind, according some measure of fame no longer deserved. On occassion it is bigger than we are, or it is smaller, perhaps never reflecting our true stature at all. But when we stand under the judgement of our peers, like a tower at midday, our shadow does not exist. All we are is our character.

"Miles apart are character and reputation for character has substance. It is as long at noonday as it is at evening. It has weight, carries an impact and when it passes there is left an empty space.

"To be sure, we can suffer the loss of our reputation and still retain our character. But on the other hand, it is impossible for character to disintegrate without reputation following after.

"People, according to John Newbern, can be divided into three catagories—those who make things happen, those who watch things happen and those who wonder what happened. The choice of category is yours, but remember well what Sancho Panza said to Don Quixote . . .

" 'Tell me what thou hast sown today and I will tell you what thou shalt reap tomorrow.' "



RETAILING TODAY

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ROUTE TO

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RALPHS DOES NOT BELIEVE IN A FREE PRESS

Ralphs, the supermarket subsidiary of Federated Department Stores, operating in Southern California (they recently terminated their unsuccessful entry attempt into Northern California) apparently believes that whenever the press mentions them unfavorably they should retaliate economically by withdrawing their advertising. (You will recall that Ralphs also violated Consumers Union's copyright in a series of ads.)

According to an article in the Spring 1980 issue of **feed/back**, published quarterly by the California Journalism Foundation, Inc., to review, comment on and critique journalism in California, KABC-TV (Channel 7 in Los Angeles) did a series of news reports on the use of scanners in supermarkets. Several chains were filmed in the series but Ralphs, as the leader in the use of scanners, was shown more often and the series was critical of Ralphs use of scanners.

As a result, Ralphs pulled some $160,000 of advertising. Jan Charles Gray, V.P. and General Counsel for Ralphs, claimed that Ralphs "was being treated unfairly by KABC and being singled out for trying to be innovative and introduce new technology." KABC General Manager, John Severino, said that this was the first time in his 10 years at the station that an advertising agency had contacted the news director–which Ralphs agency did 3 days **before** the ads were dropped.

RThought: Does Ralphs really gain anything by using this form of retaliation? The trade press that I study did not report this. Presumably the Los Angeles Times would have no reason to tell this story. But there are channels such as **feed/back** which reach thousands of people and none are likely to think that Ralphs has much commitment to a free press.

Ralphs might be reminded that it was Thomas Jefferson who said:

> **"The basis of our government being the opinion of the people, the very first object should be to keep that right; and were it left to me to decide whether we should have a government without newspapers, or newspapers without a government, I should not hesitate a moment to prefer the latter."**

If there are no problems with scanning, then why did the Food Marketing Institute (as reported by Super Market News) spend so much time discussing the problems? Richard Shulman of Industry Systems Development Corporation said "Nothing is more critical and less automatic than the maintenance procedure of keeping your scanning files up-to-date." If Ralphs is always perfect in their operation, why did they not share their perfection with the industry? If introducing an innovative technology is a basis for putting one beyond the purview of the press then cannot one argue that innovative government programs like food stamps should not be commented on in the press, the operation and safety of nuclear power plants should not be made public, or even that a fancy new Bullock's or Neiman-Marcus store should not be analyzed by the press?

It is sometimes painful to live with a free press; and the press is not above making mistakes. Most in the press will listen to those who disagree and will try to see that mistakes are corrected and that the public is properly informed of the correction.

But even at its worst, and even if a retailer feels that he has been grossly harmed, retaliatory action is hardly the appropriate move. Chief executives of billion dollar retail firms, which Ralphs approaches, should display better judgement.

EATING OUT

In the May RT under "Costly Gasoline and Changing Habits" we reported a study that showed substantial numbers of people were going more frequently to take-out food places or eating out in restaurants.

Most RT readers patronize the so-called "gourmet" restaurants that are following the General Motors plan of raising prices to offset declining demand. One reader, however, reported that his 18 year old son takes dates out for dinner because it is cheap! He lists the following costs for dinner for 2 in the Los Angeles area:

Spaghetti Factory	$7.50
Sizzler	6.50
McDonalds	5.00
Shakey's Pizza	5.00
Kentucky Colonel	5.00
Wendy's	5.50

RETAILERS ALMOST ALONE IN HIRING LIBERAL ARTS GRADUATES

If there is one trend in business today, it is to hire and advance executives who have a limited concept of the origin, development and principles of our society and economy. Instead, they select and advance those executives most dedicated to the application of techniques, often without applying or recognizing moral or ethical considerations.

These uninformed, narrow and ultimately destructive individuals, are unaware that they are destroying the fabric of our society. Such people flow, with increasing frequency, from such places as Harvard Business School and other leading manufacturers of MBAs.

But one cannot place the entire blame, or even the major part of the blame, on the schools. The blame lies with the businesses that create the demand for the products of these schools. Perhaps more than any other measure, the academic background sought by major corporations in hiring college graduates expresses their lack of concern about the perpetuation of such things in our society as life, liberty and the pursuit of happiness.

Each year **Changing Times** publishes a survey of jobs for new graduates (1729 H St. NW, Washington DC 20006, $2.50/copy). The 1980 listing covers 177 firms and indicates whether firms are seeking individuals with degrees in accounting, business, computer sciences, engineering, liberal arts-social sciences, mathematics, physical sciences or other–and they often show more detailed specifications within those categories.

20 retail firms are listed, of which the following 14 are seeking graduates with liberal arts degrees:

Bamberger's (R.H. Macy & Co.)
Foley's (Federated Department Stores)
Gimbel's, Philadelphia (BATUS)
Gimbel's, New York (BATUS)
Gimbel's, Pittsburg (BATUS)
Jewel Food Stores (Jewel Companies)
Kroger Co.
Macy's
Merry Go Round Enterprises
G. C. Murphy Co.
Osco Drug (Jewel Companies)
J. C. Penney
Rike's (Federated Department Stores)
Sears, Roebuck

In all of the 157 non-retail employers listed, only 19 employers seek liberal arts graduates. 7 are insurance companies, 3 are government departments and 2 each are banks and publishing companies.

RThought: Until the chief executive officers of industries other than retailing understand the need for top executives that comprehend the basis of our society and can deal with the interaction of economic enterprises with our concepts of a social and cultural heritage and ideal, schools will not produce what society needs. Despite all the high-sounding talks that college presidents and deans give about the importance of education in our society, they grovel before the demands of their customers in exactly the same way a madame in a local brothel does before the demands of her customers.

THE EDITOR SPEAKS

In March I spoke to a regional meeting of the International Council of Shopping Centers on "Retailing and Real Estate–Moving Ahead Together." One of the key points was how low the rentals are in American shopping centers–when compared to $250 to $300 per square foot for shops on Oxford Street in London, $40 to $165 per square foot in Melbourne in a downtown mall near Myers Emporium, $150 a square foot for shops on Nathan Road in Hong Kong, or even $25 to $35 per square foot in a Sydney Shopping Center.

In all cases the rent can be absorbed because retailers in other parts of the world use their space better. A new shopping center in Sydney, for example, expected $265 per square foot from 150,000 feet of shops in a one-department store center–the first year of operation! Of course, that would increase as the center matures.

In May I spoke at a meeting of Knitwit Franchisees at their annual meeting held this year in Singapore. The subjects were "The History and Future of Retailing" and "Serving the Customer." The Knitwit organization is an interesting group. An Australian woman, Vera Randall, visited Canada in 1970 and became acquainted with a franchise chain there called Cut and Sew–which taught a simplified method of sewing knit fabrics. She brought it back to Australia, improved on it, added designer patterns reducing popular current styles to ones that could be made using the simplified method, and then franchised the plan which both teaches sewing and sells fabrics and notions.

There are currently 50 franchises in Australia (the equivalent penetration of 750 in the United States), 3 in New Zealand, and the first is about to open in South Africa. Many of the women who run successful franchises have not had any prior business experience–and yet they earn substantially more than virtually all female executives and most male executives in Australia.

I was complimented that they talked of having their 1981 meeting in Disneyland and having me back for a second year.

APPLE LABEL

This outfit is going out with big bucks to bribe your supply buyer. Your buyers probably have gotten catalogs for Apple Labels. Did you know that they are currently offering gifts on orders of $3,500 or more? Here are some of the big gifts–a G.E. 4-hour Video Cassette recorder for an order of $3,500 or more; a Hitachi 19" color TV with remote control on an order of $2,500; a Solex Moped by Motobecane for an order of $1,800.

That is a lot of labels to buy. The offer was received by an RT reader who corresponded with Walter H. Sands, President of Applebaum Tag and Label Co., who admits to being a double standard man. He even replied to the objection raised by our reader about inducing a store employee to steal from the store by taking the gift, "One cannot argue with the logic expressed in your correspondence . . . as a matter of fact, if I were in your shoes, I'd probably have the same feelings and express them very much in the same way as you have." He admitted that he had had 7 complaints when 100,000 catalogs were mailed in 1977.

Then Mr. Sands has the gall to observe "It may interest you to know, however, that the 'mother company' of our Mail Order Division which produces hang tags and labels especially to order has never and will never offer purchase incentives."! ! !

Just to show how Mr. Sands knowingly induces the employee to conceal his action from his employer, there is a separate "Gift Order Certificate" with the instructions "Be sure to mail this coupon with your Company Purchase Order for Date Labels."

But that isn't the end of Mr. Sands. He addressed a letter to me as publisher of **Retailing Today**, wanting me, as a help to my readers, to include the following item in RT:

MORE ON THE AUTO INDUSTRY DESTRUCTION OF THE UNITED STATES

The United Auto Workers Union is leading the fight for controls on the number of cars that can be imported—they particularly object to the fact that the Japanese car makers sell more of their cars in the United States than in Japan (first, we have twice as many people; second, we have more domestic fuel; third, we have greater distances to travel). The car manufacturers (Ford and Chrysler are losing money in the U.S., General Motors makes a little, and American Motors offsets loss on cars with profit on Jeeps) are aggressively supporting the Union.

The UAW will not admit their contribution to the balance of trade problems—and the reason why Americans buy imported cars. Even if we admit that the design of American cars misses the customer's needs—too large and heavy, too much chrome, too many style changes—what the UAW members do in putting the car together is beyond explanation. Good designs come out as lemons and junk. Everyone in the industry tries to avoid "Monday and Friday" cars, the days when UAW workers are definitely not with it; many are absent, upsetting the fine work balance of the assembly line.

In July 1978, RT reviewed the ratings given by Consumers Union on the maintenance record of 1977 cars. It didn't look good—and the table is repeated below. The "Much Better" rating means the car had much fewer maintenance problems. The "Much Worse" rating means the problems were much more severe.

Mfg.	Much Better	Better	Average	Worse	Much Worse	Total
Imports	13 (72%)	4 (22%)	1 (6%)	0	0	18 (100%)
General Motors	1 (3%)	4 (13%)	17 (55%)	5 (16%)	4 (13%)	31 (100%)
Ford	2 (17%)	3 (25%)	5 (~~5%~~) 42%	2 (17%)	0	12 (100%)
Chrylser	0	0	0	1 (10%)	9 (90%)	10 (100%)
TOTAL	16 (23%)	11 (16%)	23 (32%)	8 (11%)	13 (18%)	71 (100%)

In the 2 years since then, how much have the American car manufacturers learned—and what has happened to the imports? The table below gives the answer. American cars have gotten worse and imports have gotten better!

Mfg.	Much Better	Better	Average	Worse	Much Worse	Total
Imports	22 (81%)	4 (15%)	1 (4%)	0	0	27 (100%)
General Motors	0	7 (16%)	19 (43%)	8 (18%)	10 (23%)	44 (100%)
Ford	0	4 (20%)	7 (35%)	4 (20%)	5 (25%)	20 (100%)
Chrysler	0	1 (14%)	1 (14%)	2 (29%)	3 (43%)	7 (100%)
TOTAL	22 (23%)	16 (16%)	28 (29%)	14 (14%)	18 (18%)	98 (100%)

Before comparing the figures, the quality of the Japanese cars must be mentioned. CU had enough reports to rate 16 different models of Japanese cars. Everyone of them had a "Much Better" record! The major car manufacturers and UAW cannot produce a single model car with a "Much Better" maintenance record. Two years ago, 3 American cars had such ratings. In 1977, only 13 American cars were rated "Much Worse;" now 18 American cars have this rating.

The comparison is simple. The imports, especially the Japanese cars, have gotten much better. General Motors and Ford have dropped in quality while Chrysler has shown a modest improvement.

RThought: Is there any real sense in legislation to protect poorly designed cars put together by incompetent or careless workers? Should the American consumer have to pay that price? Will the day come when we do the same things with airplanes—protecting accident-prone airplanes to keep jobs and profits at Boeing/Lockheed/McDonnell?

That is what is being proposed by the car makers and the auto union. Deaths and injuries in cars, because of defective design and/or assembly/manufacturing, are less spectacular but they are there just the same.

SHORT SHORTS

In this best of all possible worlds, the Australians may do it better than we do. INSIDE RETAILING (February 11, 1980, Philip Luker and Staff, Box 157, Kings Cross NSW 2011 Australia, $A125/year, surface mail) reports on the continued vitality of the Retail Management Institute through which senior retail executives transmit their know-how to young executives and trainees at monthly meetings. This is strictly a "sharing" program. One "country store" operator now facing competition from big city stores (they no longer close for lunch to help the local cafes and have the latest cash registers and other equipment) reported that he was using office personnel as casual sales people so that they could understand the customers (the office people tended to pay more attention to systems and numbers than customers). He cited an NCR study unfamiliar to U.S. retailers (NCR no longer does this here) that showed that the biggest reason (67%) customers stopped shopping at certain food stores was poor treatment by the sales staff. (Perhaps in the U.S. customers have quit searching for good treatment).

Is this why Sears has sales problems? On a recent trip I had dinner with the chief executive officer of a company headquartered in Bremerton. He told me that the JCPenney store manager was proud of having the greatest sale of steel tip shoes of any JCPenney store anywhere. It was because all of the 13,000-plus workers at the Bremerton Navy Yard had to wear such shoes—and the fact that Sears does not allow stores the size of the Bremerton store to carry steel tip shoes! The loss of many, many thousands of dollars—and the customers who wanted to spend those dollars—was involved in Sear's decision to worship standards that were intended to be a guideline and not a God. The interesting thing is that never having carried the shoes, probably nobody in Sears has any idea of what they are missing.

The best retail annual reports? The Financial Analysts Federation, in their evaluation of 1978 reports (January 1979 year ends) picked Dayton Hudson Corporation and J. C. Penney Company, Inc. in the retail category.

ARE RETAILERS COMPETENT TO ADVISE THE GOVERNMENT?

I recently attended a meeting of retailers that was addressed by Howard Jarvis. It was the first time I have heard him in a private session and I was appalled at the language he used. It places him almost on the level of President Nixon in the privacy of the White House. It was, I believe, offensive to most of the audience. I have attended sessions of businessmen for many years and I cannot recall even one case of profanity coming from the podium; and only a few in private discussions.

It is my impression that most retailers who are at or near the top of their firm are gentlemen by choice and by habit.

That, however, does not mean that they are necessarily well informed on the operation of our government.

The statement that evoked the greatest applause, and raised the greatest question in my mind, was the response to the question: "If there was just one thing that you could do today, what would you do?" It is true that Mr. Jarvis indicated that this was a difficult question to answer but after a relatively short time for thinking, he said, "I would transfer $100 billion out of the HEW budget and into Defense."

The applause was frightening to me–since it was obvious that none of the audience realized that the biggest part of the budget in HEW, a total that is so often criticized, is the payment of Social Security. That Social Security income, if taken away, would be devastating to all retailers, particularly those catering to fundamentals such as food, or to low or middle income families. The impact upon communities, of such a move, would create problems that would affect the retailers *immediately*–and then would be transmitted very rapidly to the entire economy.

During the course of his talk, Mr. Jarvis used many statements which he must know, by this time, are totally dishonest. He presented as a fact that California had, at June 30, 1979, a surplus of $6.5 billion, when actually that figure was the amount of cash in accounts administered by the Treasurer of the State of California, of which approximately $5 billion was obligated for projects or contracts underway but not yet paid for. Mr. Jarvis has been corrected on this by the Treasurer of the State but, like Mr. Reagan, who keeps his clippings from the 1930s in assorted shoe boxes, Mr. Jarvis finds it convenient to use this misstatement.

The general thrust of Mr. Jarvis' address, even though he could not recall the type of retailers that he was addressing, was to appeal to their baser desires.

There were only one or two evidences of responsibility on the part of Mr. Jarvis which should not go by unnoticed. There was no applause at all when he was asked for his view on a federal constitutional amendment to limit the budget of the United States and mandate a balanced budget. He said that he had studied the situation and he did not feel that this would permit the proper funding of governmental functions. To this statement, the retailers gave no applause whatsoever.

RThought: Let's look at how uninformed both Mr. Jarvis and the applauding retailers are on the matter of the expenditures of the Department of Health, Education and Welfare (now split into two departments).

According to the 1979 **Statistical Abstract**, the estimated expenditures of the department for the year ending September 1979 were $181 billion. It is from this amount that Mr. Jarvis was going to take $100 billion. Of this $181 billion, $107 billion was paid for Social Security and Railroad Retirement benefits. Eliminating this would be somewhat stupid for retailers, especially any who have a strong appeal to those on limited and low incomes.

At the same time, we might look at where that $107 billion came from; it was $13 billion **less** than the payments made by employees and employers into the fund! Now, if you are going to cut out the expenditure for Social Security, shouldn't you stop collecting the tax? If so, there would be an additional $13 billion **deficit** and nothing available for the Defense Department.

If we add to the $107 billion of Social Security and Railroad Retirement expenditures, the $41 billion in medicare payments (half paid by deductions from recipients) we account for $148 billion or 82% of the budget of the Department of Health, Education and Welfare. Among the remaining $33 billion there certainly could be reductions–but not enough to make a major improvement in our national defense.

The United States suffers greatly from people like Mr. Jarvis who have easy access to prominent platforms; in support of our principle of free speech there is nothing I would do to change his speaking, even if he is wrong. On the other hand, executives who run businesses ranging from millions to billions should be better informed about their government if they want to criticize it.

SHORT SHORTS

Now there is an Edward Carter Professorship at the Harvard Business School (HBS), named in honor of the Chairman of the Board of Carter Hawley Hale who graduated there in 1937. Carter has long been active in HBS affairs (as well as at the B-Schools at Stanford and UCLA) and once considered joining the HBS faculty. Theodore Levitt is the first appointee.

Barter clubs can become costly. The IRS continues to issue rulings attacking barter clubs. With the issuance of IRS Revenue Ruling 80-52 the penalty goes up. In the case of a club that uses credit units to credit or debit a member account, the crediting of the units constitutes income. As such, it must be included in gross income. If the credits are used by an employee of the club (as opposed to a member), then the club must deduct withholding and FICA on the value of the credits and must report the value when computing the Federal Unemployment Tax.

Tiffany's word is as good as their bond. That was proven when the price of gold and silver escalated in the months after Tiffany quoted the price of 300 medals for the Winter Olympic Games Committee. Tiffany delivered at the agreed price although gold was up 20% and silver quadrupled. Walter Hoving would have it no other way. He also reported January sales up 52%–perhaps there is a connection between integrity and business growth.

"We are always on the lookout for ways our subscribers can save money. Here is another winner we have found for you. Apple Label puts out a catalog of useful business products you use everday in your operation. It is a 32-page, full-color catalog containing hundreds of items you can use. We have arranged with them to send you this catalog FREE. And, in addition, send you a $5.00 Discount Certificate good towards any order. Write to Walter Sands, Apple Label, 30-30 Northern Boulevard, Long Island City, NY 11101. You must tell him you got his name from RETAILING TODAY to get the $5.00 certificate."

I have had two reminders from Mr. Sands that I have not replied to his letter, but he has not replied to my letter of April 21st yet.

RThought: Please send to Mr. Sands (and to me) copies of your instructions to your purchasing people that under no circumstances are they to do business with Apple Label or Applebaum Tag and Label Corporation. Ask your trade association to issue a similar warning about the manner in which this company does business.

CHANGING YOUR CLOTHES DOESN'T CHANGE YOU

As we finally enter the recession projected for 1977, courtesy of a laxative from the Federal Reserve System, it might be well to listen to the words of W. David Kludt, Creative Supervisor of Hughes and Hatcher in Detroit—as summarized from the Retail Advertising Conference in "Newspaper Newsletter" (Sales Promotion Division of the National Retail Merchants Association, 100 West 31st St. NY, NY 10001, Vol. 3, No. 4, April 1 1980).

"We had a recession back in 1974. Hughes & Hatcher's business slumped, the merchants were on the carpet, management had a snarling pack of stockholders to face, and of course everyone ran to the Advertising Department . . . Management decided to really get in there and grub . . . grab the public by the knot of the tie, pull their nose right into yours and yell in their faces about how cheap you're selling things.

". . . nothing happened. Our regular customers doubtlessly thought we had lost our minds . . . And the neighborhood sleeparounds . . . weren't impressed either. We were as loud and vulgar as anyone but there's always someone else around who's cheaper . . .

"It taught us an abiding lesson. Don't give up everything you stand for. Because you not only don't gain anything, you lose what you had."

RThought: Send for a copy—and have your top management review what Mr. Kludt has written. If what he says sounds like good policy for your company, circulate it through your merchandising and sales promotion staff.

I am reminded of the chalk reproduction of Venus de Milo with the inscription across the bottom that read "Everything anyone ever made, someone can make cheaper." It sold for 39¢. I am looking for the 29¢ one now.

FRENCH SHOPPING CENTERS

A shopping center in the United States that does over $200 million in sales is considered very, very big. The same is true in France. According to **Retail News Letter** (March 1980, International Association of Department Stores, 72, Boulevard Haussmann, 75008 Paris) there are 7 such centers outside of Paris, with the largest doing over $250 million.

Center	$ Million
Velizy-2, near Paris	$259
Rosny-2, Rosny, east of Paris	240
Perly-2, Le Chesany, west of Paris	225
Belle Eoine, Thiais, south of Paris	222
Parinor, Aulnay-sous-Bois, near Paris	222
Creteil-Soleil, Creteil, southeast of Paris	215
La Part Dieu, Lyons	208

THE AUSTRALIANS SHOW HOW TO USE SHOPPING CENTER SPACE

At a recent talk before an Ideas Session of the International Council of Shopping Centers, I dealt with the rates paid for store space in other parts of the world—figures as high as $10 to $12 **per month** in Hong Kong and Japan, higher in some special areas in London and in Australia.

But the merchants produce the necessary sales per square foot to pay such rents—and there usually is a line waiting to get a location.

Philip Luker, in his newsletter INSIDE RETAILING, which thoroughly covers the Australian scene, reported on the results obtained in 30 centers and shopping strips in the Sydney area. It was all in the April 7, 1980 issue (Box 157 Kings Cross, NSW 2011 Australia, $125/yr. surface mail). The figures below have been extracted for the U.S. market after converting square meters to square feet (divide by 10.764) and adjusting the Australian dollar to the U.S. dollar (multiply by $1.07—April 20, 1980) [Now $1.14].

	Sales Per Square Foot		
Type of Outlet	**High**	**Low**	**Median**
Food stores	$635	$280	$400
Clothing stores	280	100	175
Hardware and electrical	560	190	280
Furniture and floor coverings	340	110	210
All others (except dept. stores)	380	140	210
Total Center (except dept. stores)	350	150	240

RThought: The Australians produce these sales per square foot with 1 night opening, no Sunday openings and usually only 3 or 4 hours on Saturday. It seems a bit odd that with this performance they still invite American and British retailers to come talk to them on how to a better job! I was among those invited—and I learned a lot.

PROTECTING COMPETITON—ONE LEVEL REMOVED

The Federal Trade Commission, in establishing conditions for approval of the acquisition by Applebaums' Food Markets in St. Paul by National Tea of Chicago (84% owned by Loblaw Companies Limited of Canada, in turn controlled by Weston's), recognized that local competition can be impacted when the acquisition of stores results in lost volume to a local wholesaler.

National operates its own warehouses. If they stopped buying for the Applebaum stores from the local wholesaler (in this case, May Bros. Co. of Minneapolis) then the wholesaler may not have sufficient volume to operate efficiently and profitably. This would deprive other local supermarkets of an adequate flow of supplies so that they could compete against the acquired chain. (Note: this could result even if the cost of supplies delivered from a remote company warehouse would not be any less expensive when delivered to the store).

Thus, the impact on a competition, when one local chain acquires another, is not measured simply by adding the two market shares together, in this case about 5% for National and 10% for Applebaums'.

The final agreement, following refusal of the courts to block the merger, provided a formula to determine how much National must buy, for at least the next 5 years, from May Bros.

THE UNDERGROUND SHOPPER

While looking for the newspapers in a hotel newsstand in Dallas, I came across "The Underground Shopper," 8th Edition, Dallas/Ft. Worth, and was fascinated with what Susan Goldstein, Full-time Princess, Editor-in-Chief and Publisher had put together. ($3.95, 3110 N. Fitzhugh, Dallas, TX 75204).

Outlet shops are rated from 4-stars down to 1-star, but apparently the worthless ones are "NO STAR," in capital letters, so there is no misunderstanding. An example of a NO STAR, that RT has written about before, is the Kuppenheimer outlet store (RT has previously suggested that all the men's stores that got rich off Kuppenheimer should get a fund together and buy up–and retire–that famous name). I quote the entire comment:

> **"We felt we might have been as well off with a paternity suit as a Kuppenheimer suit. We did see a few names we recognized (YSL and Arrow) in the shirt department, but were totally at a loss to remember where we had seen most of the suit labels. Based on quality comparisons with garments seen in other stores, the discounts on suits were almost nonexistent. We estimated that 15% off was about tops. Apparently, they prefer to spend their money trying to win the booby prize for terrible TV commercials, rather than on quality suits."**

The Chief Princess and her staff also rated some well-known names. The department store warehouse stores or sales only got 2-stars in the case of Lane Bryant, Montgomery Wards, Penney, Sanger-Harris and Sears, as did Freed's furniture outlet (Michigan General) and Home Furniture (local Chain). Pic-A-Dilly (Lucky Stores) drew only 2-stars (but it had lots of merchandise) as did Standard Brand Paints, but Fayva Shoes (Morse Shoes), Pix Shoes (Kobacher–formerly W. R. Grace) and Oshman's (sporting goods) only rated 1-star, as did The Athletic Shoe.

MICT MOSKOWITZ

Ben Kuhl

Working up from the department store outlets we find at 3-stars, Justin Boot Company outlet store, Wallpaper-To-Go ~~(W. R. Grace~~), Volume Shoes (now part of May Department Stores), General Nutrition Centers (only national health food chain) and the Publisher's Central Bureau book catalog.

At 4-stars one finds the Munsingwear Factory Outlet store, Loehmann's Margo's Downtown (with raves on the improvement since taken over by Alexanders), B. Dalton Bookseller (Dayton-Hudson), The Strand Bookstore in NYC (they find values in many areas), Marshall's (Melville) and the outlet stores for two major mail order catalog operations–Horchow Collection Finale Shop and Sportpages Final Edition.

NAMES IN THE FTC

Fred Meyer, Inc.: This outstanding retail firm, a leader in the development of super stores and the first retailer to acquire a savings and loan association for the purpose of establishing branches within their stores, has agreed to refund money due customers on lay-away transactions not completed and credit balances stolen from customer charge accounts. The store policy on lay-aways not completed was to refund the amount paid, less a small service charge. The company failed to advise customers of this unless a specific request was made. Future customers must be advised of the policy.

In the case of credit balances on charge accounts, the company did not advise customers that they had such balances or that they had a right to receive a refund (Note: this has been mandatory for some years; the date of the Fred Meyer transactions was not indicated). The company can not estimate the amount involved in these cases **but admits that individual amounts have ranged to about $100!**

RThought: *RT first dealt with this issue in January 1971.* In October 1974, RT reported the action taken by the Federal Trade Commission against Associated Dry Goods, Carter Hawley Hale, Genesco, Gimbel Bros. and Lerner Stores for amounts ranging up into the millions. Since then, Congress has mandated the refund of unused credit balances. It is amazing that this practice continues in a publicly traded company as large as Fred Meyer.

RETAILERS AND THE LAW

Vornado, Inc.: Entered a plea of nolo contendre to misdemeanor charges of conspiracy to violate the Taft-Hartley Act by sending a management employee from New Jersey to be hired as a clerk in California and then to get other employees to sign a petition for a decertification election, which was successful. Subsequently, according to the federal information files, a false statement was made to the NLRB about these events. Maximum fine is $10,000. Nolo contendre plea was entered as a "business decision."

SHORT SHORTS

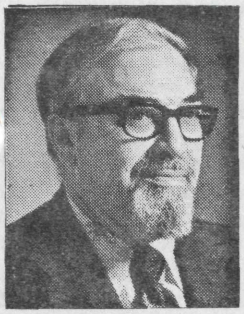
People don't abuse the bankruptcy law as Walter Kurth, Executive Vice President of the National Consumer Finance Associate sees the figures. Personal bankruptcies in fiscal 1979 were 90 per 100,000 population, up from 80 per 100,000 in 1978 but still below the 106 per 100,000 in 1975. Kurth says there is little research on the cause but he feels most bankruptcies trace to unusually high medical bills, loss of employment and marital problems. He sees little change since the Bankruptcy Act of 1978 became effective October 1, 1979. Although California, Illinois, Ohio and New York represent 35% of all bankruptcies against 28% of the population, the states with the highest rate per 100,000 were Alabama (194), Tennessee (182), Nevada (179) and Idaho (170) while the lowest were South Carolina (14), Texas (28) Pennsylvania (30) and Vermont (30).

WORDS TO LAUGH BY

These words come from Bill Power who heads the retail consulting activities of Touche Ross & Co. Although the words may, at first glance, appear to be appropriate to consultants, on further thought I think you will agree that it applies to many executives. I really didn't like the titles suggested by Bill and his associate Paul Gibfried, which were "Ernie Lombardi Comes Out of the Closet" or "Main Kampf, Son of Horatio Alger." Let me give it this title . . .

THE SUPER EXECUTIVE

They told him that job just couldn't be done,
but he smiled and he went right to it.
He tackled that job that couldn't be done–
and he found that he couldn't do it.



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ROUTE TO

JULY 1980 VOL. 15 NO. 7

LET'S HOPE LEWIS GILBERT KEEPS GOING

RT was startled to read the introduction to the **Fortieth Annual Report of Stockholder Activities at Corporate Meetings**. The first sentence ended with the clause **". . . our last edition!"**

Lewis Gilbert, the older of the Gilbert Brothers and the original force for better stockholder information, has reached the age when he recommends that directors retire from boards. Thus he thinks he has worked himself into his own trap. But I would remind him that though retirement is planned and scheduled for Federal District and Appellate Judges, none is booked for Supreme Court Justices. At some level of activity, age no longer becomes the measurement–only contribution is considered.

One by one companies have learned that Lewis and John Gilbert are constructive and thoughtful spokesmen for shareholders–and shareholders, in the end, provide the capital for our economy (not all of it can come from pension funds and insurance companies).

The Gilbert Brothers have argued for many reforms. Let's look at a few and see whether they are good or not.

One of their first campaigns was for meaningful reports of the shareholder meeting sent to all shareholders. Today that is so common that you wonder why people had to fight for this. 40 years ago it was common to hold meetings in small rooms in towns in Delaware not served by railroads–just to discourage attendance.

Another campaign is for cumulative voting–so that minority shareholders could pool their votes and perhaps put one of their people on the board. Boards still fight this, but in some states, such as California, cumulative voting is mandated. As a means of resisting minority representatives, corporations have recently moved to staggered elections–3 groups of directors, for example, each serving a 3-year term. The Gilberts have opposed this.

The Gilberts have asked such practical questions as why should officers get big bonuses and pensions and stock option plans when shareholders are not getting increased dividends. They may not be able to stop this trend–but they certainly see that it is aired at the appropriate meetings; and the report of the meeting usually notes their comments.

They have fought for a report on the number of shareholders, as well as the number of shares, voting for and against each proposal. Too often the massive blocks of stock held by institutions are voted mechanically for management (the theory is that if the institution doesn't like the management they will sell the stock).

They have argued for moving annual meetings around the country so more shareholders can attend, and more and more companies are now doing this.

They have argued that Chairmen have an obligation to hear shareholders and treat them politely, even if they dislike what the person is saying. Each year they applaud those presiding officers who do a fair and proper job, and point out those who are deficient.

A LIBERAL ARTS EDUCATION IN ACTION

The Radio Shack division of Tandy Corporation is rapidly becoming a high technology company. Perhaps it would be better to say that it is reducing high technology to the status of a typewriter with their TRS-80 personal computer and the TRS-80-II for small businesses.

What kind of a scientist or engineer leads this division? A recent issue of Chain Store Age (Executive Edition–May 1980) pointed out that the leader, Lewis F. Kornfield, Jr., is a former college English instructor, newspaper reporter and advertising copywriter. He says of himself, "I'm not inclined to use a computer myself. I don't have that kind of mind."

Yet, Lewis Kornfield gets much of the credit for a skill that no school can really develop–spotting winners when others cannot even see the potential.

Would you have recognized the Accounting Machine Company with their cards with little holes in them? Today it is IBM. Would you have recognized a new copying method if you were well established with your Haloid Company? Today it is Xerox. How long did it take giant Kodak to come up with their own instant camera? Would you have backed Colonel Sanders? The originators of McDonald's bailed out with what tney thought was a pot full of money–perhaps what a good McDonald's stand is worth today.

RThought: The more technical our training, the narrower our perception. The more we know about EDP, or accounting or retailing, even, the less we can see the potential of something that is new. The teaching of the present state of the art seems, in most cases, to close the mind of the student to the future state of the art. Perhaps it is because so many teachers have knowledge but not imagination; and they concentrate too much on "how to" rather than "why to."

They have long argued that the shareholders are entitled to know what the Company is reporting to the SEC in the Form 10-K (sometimes quite different from what is in the annual report). Now more and more companies are combining the 2 forms. Generally, the 10-K is being made more readily available, even to non-shareholders.

They believe that the majority of directors should be independent or outside directors, that the board should meet often (at least 10 times a year) and that directors should attend just about all of the meetings as well as being present at the annual and any special shareholder meetings.

RThought: If we didn't have Lewis Gilbert, and his brother John, someone would have to invent them. That is a trite statement—but a true one.

There are many other shareholder activists—some dealing with corporate actions in the area of social responsibility, others seeking higher dividends or equal employment opportunities or other special actions.

Basically, Lewis Gilbert wanted to represent each shareholder and speak as he would speak, just on the question of how the corporation should be run and what it should do in relations with its owners. That is a simple charge—that he has carried forward for 40 years.

RT is pleased that despite the somber note on which the 40th Report starts, there was also a list of the meetings to be attended during 1980 and it is as complete as in previous years.

Lewis will not retire to his music room to listen to his collection of tens of thousands of classical records. Nor will he spend all of his time counseling the Financial Accounting Standards Board.

RT would like to publicly thank Lewis and John Gilbert for their efforts over the years. It is fortunate that with the passage of time more and more presiding officers are recognizing that the Gilbert's contributions are beneficial; today there are few complaints (except by those whose conduct merits the condemnation of the Gilbert Brothers) at meetings, in the press and in their annual report.

CHANGING MANAGEMENT STYLE

When Geoff Brash, who heads an audio and visual chain, addressed the Retail Management Institute of Australia, Victorian branch, he summarized the change in management methods as follows:

> "My grandfather had the luxury of motivating staff by fear alone. With my father it was a combination of fear and bribery. I find, in my day, that I use neither."

As reported by INSIDE RETAILING, (Box 157, Kings Cross, NSW 2011 Australia, $125/yr.), he outlined that the biggest challenge for specialist retailers is in motivating staff.

RThought: In a recent meeting with the key people in a leading specialty store we were discussing the question of how to maintain service standards. This store happens to offer a "wage against commission" plan, with some salespeople making up to $25-30,000 a year. However, the starting wage is $3.30 an hour—just 20¢ above the minimum wage (most are started at about $3.50). The discussion brought out the argument that, by setting the hourly rate low, there was the incentive for earning commissions sooner.

My counterpoint was that if the starting wage was set at $5.00 an hour against the same commission rate, then the store would get to pick from better qualified people than when the store had so little confidence in the position that it would not guarantee $5.00 an hour. My proposal, assuming that they w correct in stating that most people fairly quickly reach the $ level, would mean only moderate additional costs during the training period and after that the same labor cost would prevail.

The store has about half their regular staff that are really permanent (but many are reaching retirement age and their replacements are not on the horizon) while the balance of the staff turns over with high velocity. Of course, their turnover figures fool them because it is related to the total staff rather than just the churning portion.

To my knowledge no store has ever made a study of the cost of revolving-door selling staff—**particularly in lost sales and lost customers.** In this store I suggested that they try the higher minimum wage in 2 or 3 departments and see what happens. Unfortunately, they feared that corporate headquarters would not approve such an experiment because it would do something bad to the wage structure in the store and their town!

RThought: There is serious question whether commission plans for salespeople really produce the type of selling management wants. Too many executives feel that if you provide a strong enough incentive, people will sell more. But they may also sell the wrong thing—and lose a customer—if it is higher priced or if the right thing or size is not in stock. Commission shoe salesmen sold me the wrong-size shoes (I needed EEE-widths) for years and almost broke my arches. The Air Force, at age 23, fit me with the correct size for the first time in my life!

THE CONVENIENCE STORE INDUSTRY CONTINUES—ON AIR CONTAMINANTS, LUNG CANCER AND DRUGS

The executive Edition of Convenience Store News for June 1-14, 1980 reports the 11th annual industry survey. This shows that half of their volume comes from something that is not healthy for our society. The figures below are taken from their report:

PRODUCT AND HAZARD	$ SALES (Millions)
Gasoline—contaminates the air, may cause cancer, import of oil is putting control of our economy in the hands of OPEC.	$ 5,160
Tobacco Products—the Surgeon General has determined that cigarette smoking is dangerous to your health.	1,868
Beer/Wine/Liquor—generally conceded to be our most serious drug problem.	1,636
TOTAL OF THREE LARGEST CATEGORIES	$ 8,664
TOTAL SALES	$17,190

The sales of these 3 products represent 50.4% of the industry's total sales. This is up from 43.0% in 1978. Most of the increase came in gasoline sales (up 94%, representing price increase plus more convenience store outlets carrying gas). However, sales of tobacco products were up 18.3% and sales of beer/wine/liquor up 21.7%.

RThought: Logic has little place in consumer expenditu most people know the facts about the three product lines—and buy them just the same. Government takes advantage of the cravings for these products by constantly increasing the tax

HOW TO DO $4 BILLION ON 1/20TH OF 1% ADVERTISING

IT is pleased that Philip Luker, Editor of INSIDE RETAILING (Box 157, Kings Cross, NSW, 2011 Australia, $125 Australian/yr) interviewed Harry Shepherd who directs public relations, marketing and advertising for Marks and Spencer (M & S) when he addressed the Australian Marketing Institute recently. The following are extracts from the article in INSIDE RETAILING.

"He said that some of the main points of philosophy—the cornerstone of M & S's continued growth and success—are 1) to offer the public a selective range of high-quality goods at reasonable prices. 2) to apply, in co-operation with independent suppliers, science and technology to the development and improvement of those goods. 3) to simplify all operating procedures. And, most important of all, 4) to foster good human relations. **Mr. Shepherd said the policy of 'doing the right thing is a social responsibility.' It was an attitude toward human relations which was so old-fashioned it might be far ahead of its time.**

"Mr. Shepherd said that what was of significance to all who were in business, of whatever type, was that **what M & S had done which it believed to be morally right had hardly ever proved to be commercially wrong.** The company today has 251 stores selling clothing, home furnishings, accessories and food—all bearing its own brand, St. Michael. 'We stock no other brands,' he emphasized. The company's sales last year were just about US $4 billion.

"Britain's biggest and most successful retailer, M & S, spent only US $2 million last year on advertising, public relations and in-house publications . . . 'So far as goods are concerned,' he said,'most of the communication is at the point-of-sale: Tickets, publicity, packaging and face-to-face confrontation, which is what retailing is all about.' M & S . . . worked closely with autonomous suppliers, mainly British, who manufactured to the company's specifications. Suppliers are linked with the retailer economically, technologically and through management; production capacity can be utilised with long production runs.

" 'We accept for replacement or refund any new item for any reason, and any faulty item below specification. We have learned that quality, in the sense of high quality, is always at a cost. The approach to perfection is subject to a law of escalating cost and diminishing return. To prevent the customer paying the costs of a fruitless search for zero failure, it seems to make good commercial sense, as well as meeting an important obligation to consumers, to operate an easy exhange or refund system.' This had a two-fold effect. Firstly, it provided valuable feedback from the sales floor to the manufacturer, where faults in production or quality control could be corrected. Secondly, it had a valuable psychological impact on both customers and staff, who got involved in a quality operation. Quality is 'indivisible' and accordingly M & S believes that to sell quality goods you need quality staff working in a quality environment. **'Good human relations and effective communication result in involvement and involvement is fundamental to motivation.'** A caring company led to a caring staff leading to good customer relations. 'The sales assistant is well paid, well trained, loyal if not dedicated, and is both the company's publicist and its chief market researcher.'

" 'Put in a nutshell, the business works on a low margin and high stockturn to generate volume and profits.' Although this is a common policy, most would not take the next step—'and that is to have the same margin policy for all its clothes, home furnishings and goods—although, inevitably, the margin for the sectors differs.' Each line in a department or a group carried the same markup. That meant M & S was completely indifferent as to what the customer bought, whatever it was. 'We correlate sales and production. It is the key paradoxically to both simplification in ranges and diversification. Through the test trial method at point-of-sale, we achieve a worthwhile propotion of success in product developments.'

"Mr. Shepherd said there were three ways to go bankrupt. Gambling was the quickest, women the nicest and bureaucracy the surest. Since 1956 M & S has been waging a war against bureaucracy, trying to keep the business simple . . . Simplification not only reduced operating costs, it led to the better use of people . . . M & S did it by communicating a few principles: 1) price perfection—'when in doubt, chuck it out'—and an attack on systems. 2) people can be trusted—the company has done away with timeclocks, for example. 3) the company does not allow exceptions in the production of manuals or merchandise. The two main questions are: Is what you are doing essential (cost/benefit) and: Is it being done the most economical way (cost/efficiency). The benefits are a reduction in costs, improvement of morale, ease of training and increased productivity.

" 'None of the principles are patented,' Mr. Shepherd said. The results were continued and successful growth and, for the customers, a clearly defined image of what the business is and what it does—and what the stores have to offer. Mr. Shepherd said there were warnings about communications involved: 'The inevitable result of improved and enlarged communications between different levels in a heirarchy is a vastly increased area of misunderstanding.' Communication meant simplicity and honesty. 'The desire to be honest is probably fundamental.' This also applied to publicity. 'For marketers who believe in quality, this imposes the requirement that promise and performance should amount to the same thing. Similarly, if the image is greater than the reality, the future tends to pull the rug from under your feet.' "

RThought: Contrast this continued success (albeit with some minor setbacks when introducing M & S into new countries) with the American idea of solving everything by hiring a new CEO from a competitive store. Immediately on arrival that CEO violates a major M & S principle of trusting people—all who were there before are suspect and not to be trusted. And there is never time, before the CEO drives off to a new store, to do such things as stimulate and train salespeople. Nor is a constant policy presented to the customers long enough for them to recognize it—before it is drastically changed again. As Mr. Shepherd said—"none of the principles are patented." That isn't necessary for the protection of the few who use them.

SHORT SHORTS

Should I. Magnin give arithmetic tests to merchants? In a recent Mother's Day ad for champagne and hand painted glasses the price offer read: "Fifth $45, Magnum $90, Fifth with 2 painted flute glasses $54, Magnum with 4 flutes $112." Most 8th graders could deduce that 2 glasses cost $4.50 each when bought with a Fifth while they cost $5.50 each when bought with a Magnum. Perhaps there is no fixed price at IM and one should bargain—for the glasses that go with Fifths!

The miracle of computers at D & B. Did you ever hear a computer salesman tell about how much faster and more accurate a computerized system will be—and it won't make any mistakes? You did! Did you know that D & B has one of the largest computer memory banks in the world? You did! Let me quote from their early renewal notice to Dun's Review: "Although it may seem a bit early (it was—3 months!), it is important to realize that all magazines, including our own, need a good deal of time to process renewal orders and update addressing lists." Is this a case that the computers are competent (I believe all salesmen) and the computer owners incompetent? Or are they telling a bald-face lie to try to accelerate cash flow?

A STATISTICAL SUPPLEMENT

CREDIT OFFICE REPORT

The HONOR ROLL is once again lengthening, headed by some outstanding performances.

HONOR ROLL

Rubenstein's	2.0	Bloomingdale's	4.0
Bergdorf Goodman	2.0	Brooks Bros.	4.0
Macy*s NYC	2.5	Hudson's Bay Co.	4.0
Gimbel's Philadelphia	3.6	Macy*s No. California	4.0
Ivey's Carolinas	3.6	Weinstock's	4.0
Levy Bros.	3.6	Wineman's	4.0
Mervyn's	3.7		

CREDIT OFFICE RATING

	APRIL-MAY 1980			FEB.-MARCH 1980		
Information From Reporters	**No. of Reports**	**Days to Bill Average**	**Range**	**No. of Reports**	**Days to Bill Average**	**Range**
B. Altman (NY)	1	5.0	5	1	5.0	5
Bergdorf Goodman (NY)	1	2.0	2	1	6.0	6
Bloomingdale's (NY)	1	4.0	4	1	6.0	6
Brooks Bros. (NY)	2	4.0	3-5	2	7.0	5-9
Bullock's (S. CA)	2	4.5	4-5	2	7.5	7-8
Bullock's (N. CA)	4	10.0	5-16	2	8.5	5-12
Capwell's (N. CA)	5	4.8	3-7	7	4.7	4-5
Emporium (N. CA)	1	6.0	6	3	5.3	5-6
Foley's (Houston)	1	8.0	8	1	8.0	8
Gump's (N. CA)	2	21.0	20-22	3	31.0	18-43
Hastings (N. CA)	1	8.0	8	1	8.0	8
Hudson's Bay Co. (Calgary)	1	4.0	4	2	5.0	4-6
Liberty House (N. CA)	3	3.3	2-5	2	1.5	1-2
Livingston Bros. (N. CA)	3	7.7	7-9	2	7.0	7
Macy*s (NY)	2	2.5	2-3	1	2.0	2
Macy*s (N. CA)	7	4.0	3-5	5	3.8	3-4
I. Magnin (N. CA)	2	6.5	6-7	11	6.9	5-7
Marshall Field (Chicago)	2	6.5	4-9	1	4.0	4
May Co. (S. CA)	2	4.5	4-5	2	4.5	4-5
Montgomery Ward (N. CA)	2	5.5	5-6	1	9.0	9
Palais Royal (Houston)	1	5.0	5	2	9.0	7-11
Penney's (N. CA)	1	6.0	6	- -	- -	- -
Penney's (S. CA)	1	7.0	7	- -	- -	- -
Penney's (Philadelphia)	1	7.0	7	- -	- -	- -
Robinsons (S. CA)	2	7.5	7-8	- -	- -	- -
Saks 5th Ave. (NY)	2	6.0	6	1	10.0	10
Sears (S. CA)	2	8.0	8	1	7.0	7
Sears (N. CA)	8	7.4	6-9	5	7.8	6-13
Smith's (N. CA)	2	7.5	7-8	1	7.0	7
John Wanamaker (Phila.)	1	5.0	5	1	7.0	7
Weinstock's (N. CA)	1	4.0	4	2	5.0	5
TOTALS	67	6.3	2-22	64	7.3	1-43

	APRIL-MAY 1980			FEB.-MARCH 1980		
Information From Stores	**No. of Reports**	**Days to Bill Average**	**Range**	**No. of Reports**	**Days to Bill Average**	**Range**
Carlisle's (Ashtabula)	2	6.0	6	2	6.0	6
Gimbel's (Philadelphia)	36	3.6	3-5	36	3.5	3-4
Holman's (N. CA)	9	4.6	3-7	10	7.7	5-10
Iver's (S. CA)	5	9.2	8-10	10	6.4	5-8
Ivey's (Carolinas)	10	3.6	2-4	20	4.2	2-7
Levy Bros. (N. CA)	8	3.6	3-5	8	4.1	3-5
Mervyn's (N. CA)	20	3.7	3-4	20	4.0	3-4
Ross Stores (N. CA)	3	4.7	4-5	4	4.8	4-7
Rubenstein's (Shreveport)	3	2.0	2	6	2.7	2-3
Waldoff's (Hattiesburg)	1	12.0	12	2	10.0	10
Wineman's (S. CA)	1	4.0	4	2	4.5	4-5
TOTALS	68	5.9	2-12	120	4.5	2-10

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.

WHY RT PUBLISHES ADDRESS AND SUBSCRIPTION COSTS: RT gets ideas from other publications and feels that readers may want to obtain the complete document. RT is always annoyed when a citation is given without an address and often spends hours tracing down the source. The publication quoted does not know that it is being cited and RT gets nothing beyond the good feeling that comes from plugging a good source for RT readers.

load on them–to the point where it would be economically impossible for many governments to ban any one of the products, let alone all three.

A RD 10/15/80

TWO DIFFERENT APPROCHES TO CATALOG SELLING

I recently visited The Talbots in Hingham, Massachusetts, and in the process wanted to visit the organization next door–Hitchcock Shoes. Both of these are old, well-established catalog operations; the first specializing in a classic-look in women's apparel (and some classic-look men's apparel) and the latter in wide men's shoes. I got to know Hitchcock first because I am one of those people who has square feet–almost as wide as they are long.

The Talbots have just moved into a greatly enlarged office structure and are expanding their warehouse and shipping facilities. In the past 7 years their volume has increased more than tenfold. Their catalogs do everything to entice people to order from them; and they constantly worry about service on mail order and telephone order, as well as being sure that their retail stores are reflective of the image carried in their catalogs.

On the other hand, Hitchcock interposes a great many negatives in the way of doing business with them. Prominent in their order form is "No telephone orders" which is very much out-of-step with current terms. Their order form makes no offer of any bank card facilities–VISA, Master Charge, American Express, or any other.

As I drove in to The Talbots, which forms an "L" around Hitchcocks, I saw that Hitchcock had a retail store at the back (not the front) of their plant and that the hours were 1:00 to 5:00 p.m. After lunch I attempted to go to the Hitchcock store; and as I approached it, I saw a man look at the sign on the door and turn away. I asked him if they were closed and he said, "Yes–they are closed because of illness." Even though people were in the office. And then he added, "I drove all the way from New Hampshire to find them"–as he held in his hands the recent sale catalog that they sent out. I looked down and saw that his feet were square–as mine are–and he, like I, have very few places to go for shoes available in triple-E, quadruple-E or quintuple-E width.

RThought: If one were contemplating going into the catalog business, which would be the easiest to compete against: the classic-look women's catalog by The Talbots or the wide shoe specialist, Hitchcock?

THE PROBLEM OF CLAIMING LOW PRICES

Flamboyant claims of savings are often made by the advertising departments of food chains–and often not backed by the merchandising department.

In Northern California, Alpha Beta claims to have the lowest prices and offers a comparison with other stores–carefully exempting "membership stores." The exemption recognizes that the food departments in Lucky's GEMCO membership discount stores undersell even the Lucky Discount Centers.

In Los Angeles, Von's, a subsidiary of Household Finance, advertised that they would refund "double the difference" if anyone shopped a total of 25 or more items coming to $20.00 or more and the total was less than for the same items at Von's.

It happens that Professor Benjamin Torres at San Bernardino Valley College (701 So. Mt. Vernon Ave., San Bernardino, CA 92410) publishes a periodic report on food prices and selling patterns in the Greater Los Angeles area.

He checked with a Von's manager to find out if the claim held true against Jewel-T box stores and found that it did–if the brands were identical. Using the price list from Jewel-T, he pulled the requisite quantity of items and presented them to the courtesy check. The Jewel-T prices totalled $3.36 less and he was promptly refunded $6.72.

Most supermarket chains claim low prices. Here is how the major chains ranked in the Greater Los Angeles area during December 1979. For comparison, if all items were bought at the lowest price in any store, the total would be $298.08.

Store	Total Cost	Index
GEMCO	$306.18	100.0
Von's	309.85	101.2
Lucky	312.54	102.1
Thriftimart	312.76	102.1
Stater Bros.	313.68	102.4
Alpha Beta	316.45	103.4
Ralphs	319.89	104.5
Albertson's	325.55	106.3
Market Basket	326.37	106.6
Safeway	337.86	110.3

The report also discussed savings at commissary stores–open to a growing number of retired regular and reserve military personnel. It found that on the non-advertised items the commissary often offered a substantial savings but on the frequently advertised items, such as Green Giant Niblets Corn or Chicken of the Sea Tuna the price might be higher in the commissary.

On the question of the accuracy of scanners, Professor Torres had some specific examples of when the computers were not right. At Von's at 3:00 p.m. on the first day of an ad in which Shasta beverages were 99¢ for a 6-pack, the shelf price was right but the computer was still $1.23. Gemco had the small curd cottage cheese price (78¢) on the large curd (it should have been 74¢). At FedMart a checker entered a code from a mushroom package at 69¢ and got a print-out for orange juice at $1.17.

RThought: Retailing food continues to be a challenge. But retailers must remember that when using computer-controlled POS devices, whether entered by scanning or key, that they are not dealing with a perfected tool. There is still much room for error and retailers should admit that fact rather than claiming that computers are perfect and people don't make errors.

Perhaps the slogan of Avis has a place–"We try harder"–Avis never claimed perfection.

WHO SHOULD RUN STORES

In the period since the end of World War II, during which time store management structures have become more complex and the impact of governmental regulation greater, an increasing number of chief executive officers have been drawn from the non-merchandising sections of the business.

There has been a tendency to run retail businesses by the numbers.

There are very few successful retail businesses that can trace their origin to the innovative ideas of the controller or the personnel manager. Does anyone think of a store superintendent when reading the story of Marshall Field or John Wanamaker or J. C. Penney or Frank Woolworth? The immediate vision that comes to mind is a person thoroughly familiar with merchandise who completely understands who he wants as his customer and devotes his full effort to bringing the two together—which, when correct on both counts, leads to a rapidly growing and profitable business.

With a single store, no matter how large, the merchant-entrepreneur can maintain his touch by "walking the store" every day and by "spending time on the floor." The buyers for each department in such a business have their office adjacent to the selling floor and spend a good deal of time on the floor with the customers.

With the development of branch stores came central warehouses, and with greater space in the warehouse building came buyer offices away from the selling floor. In the beginning the buyers were expected to spend a fixed amount of time on the selling floor in contact with customers—but as many branches often catered to totally different customer groups, the limited period of sampling didn't serve the designed purpose.

In the meantime, department managers developed independently of merchandise knowledge; and new buyers often had little or no experience actually running the sales activity of a large selling unit.

In other parts of the business, new legislation (and enforcement of old legislation such as the Federal Trade Commission Act) often required someone to be familiar with "the law." This is the area of Truth-in-Lending, Equal Employment Opportunity Act, Occupational Safety and Health Act, expanded Security and Exchange Commission and Federal Trade Commission rules and many more. Most of these fall outside the purview of the merchandise executive.

Boards of Directors, which seldom contain **outside merchants** but often contain outside attorneys, bankers and non-retailing executives, are often impressed with the bright young controller/personnel manager/operations manager who has all of these "facts" at his finger tips—while considering the merchandising part of the business adequately controlled by the several layers of assistant buyer/buyer/divisional merchandise manager/general merchandise manager. After all, far more than half of the executives in a large central store/branch store structure are in the merchandising division.

A comfort level develops with the knowledgeable non-merchandising executive and a fast track follows, in many cases taking that executive to the Chief Executive Officer position. Many of the people involved in this scenario are extremely competent administrators—but they still are not merchandise/customer sensitive people.

Federated Department Stores tackled this problem by using a combination of non-merchant/merchant in their two top positions with the Chief Executive Officer position depending upon top management's opinion of the executives involved. The merchant did not automatically get the top position. Other major store groups have followed this pattern.

Throughout this period a great many stores found themselves permanently in an average to below average performance range.

Recently there has been increased attention in businesses to getting merchants back as the CEO and making the non-merchandising activities serve as staff functions to the merchants—just as in the days of Marshall Field, John Wanamaker and even as recently as Stanley Marcus. This has been a factor in the selection of Bernard Fauber as the CEO at K-Mart, the recent restructure at Sears Roebuck, the elevation of Ed Finkelstein as CEO of Macy's and many more.

However, few managements are as frank as Bruce Sundlin, CEO of the Outlet Company (a department store/specialty store/TV-radio conglomerate) in a recent interview with the **Providence Journal** which contains the following statement: "Sundlin says that the root of the [The Outlet Company Department Stores] problem has been that it was run by operational people, rather than merchants. The imposing, plain-spoken executive is himself not a merchant, but a lawyer and operations man whose chief concern is whipping the bottom line into shape. He is confident that with Joseph Madden overseeing the Outlet stores there'll be a big improvement."

RThought: RT showed long ago that the high performing retail companies (measured by high return on equity over many years) are those still reflecting the founder's concepts. All such founders were merchants.

Professional management cannot produce such a high return business; but professional merchants, on average, will produce better performing companies than do professional controllers.

RETAILERS AND THE FTC

Sears Roebuck: The FTC has ruled that Sears' ads claiming that their dishwashers eliminated the need for prior rinsing or scraping were false and deceptive and that the tests purportedly relied upon by Sears at the time that it made its claims demonstrated precisely the reverse. Sears is now required to rely on "competent and reliable tests" for all performance claims for major home appliances, including air-conditioners, refrigerators, regular and microwave ovens, trash compactors, and clothes washers and dryers, as well as dishwashers. **RThought:** One would presume that a major firm such as Sears would have adopted such a policy without having to be ordered to do so by a governmental agency. It is conduct such as this that creates a justification for governmental intervention in business in order to protect the public.

WORDS TO REMEMBER

Forbes is running quotes from years back. One of the items run in 1920 was:

> **My, but what a lot of noble patriots** are blossoming among our retail merchants! At least, hundreds of newspaper advertisements tell us so. Almost every announcement of a cut in prices has been accompanied by the statement that the merchant has been actuated by the praiseworthy, unselfish, patriotic desire to do something for the dear public . . . The truth is that merchants in New York, in Omaha, in Philadelphia, in Chicago and elsewhere found themselves unable to dispose of their spring stocks promptly and were being called upon very insistently by the banks to meet their obligations.

There was something else—lack of information. There were no monthly reports in the front of Business Week (not yet founded) showing the weekly statistics and the monthly inventory ratios and sales rates. When Wanamaker's found themselves overstocked they ran a sale at 20% off everything in the store. This pattern quickly spread from the Atlantic to the Pacific. I once checked the old records of an employer and found the month of the "20% off on everything" (they were on retail method even in those days). Wanamaker's started one of the sharpest—and shortest—depressions in this century.

RETAILING TODAY

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ERRATA

The Publisher is embarrassed to have to apologize for the carelessness of the Editor in preparing the Credit Office Rating HONOR ROLL in the July 1980 issue—which omitted Liberty House (N. CA) even though their excellent performance (3.3 days) qualified them for 4th place. There is, of course, the satisfaction of knowing that the Liberty House President reads RT closely and takes pride in the excellent billing record they have maintained over the years.

PRODUCT KNOWLEDGE FOR $1.00

Hardware Retailing, published by the National Hardware Retailers Association, is a very impressive magazine. RT has previously commented on their individual product descriptions.

In the May 1980 issue, they go even further with multi-page sections on such subjects as:

- How to sell sporting goods
- How to sell lawn and garden supplies
- How to sell outdoor living
- How to sell crafts
- How to sell home electronics
- How to sell home comfort items

Even if you cannot use the sections on plumbing, electrical supplies and hand tools, most department and discount stores can use the sections listed above—and others.

The book goes into detail—such as how far apart you should plant the rows of cucumbers and how many seeds in a pound of each kind of lawn seed.

RThought: If you don't subscribe at $4 a year, then send at least $1 to Hardware Retailing, 1770 North High School Street, Indianapolis, Indiana 46224 and ask them to send you a copy of the May 1980 issue.

THE IMPACT OF THE FEDERAL RESERVE ON RETAIL CREDIT

The following figures are taken from a detailed credit report prepared by one of my clients and clearly shows the uneven nature of the impact of the Board's ruling.

This firm is a regional multi-store chain with central credit. Credit on their own accounts normally runs 30% of sales with an additional 10%-15% on bank credit cards. They usually have about 400 credit applications a month with more when they have contests.

THE WISE USE OF CREDIT

The manner in which consumers reacted to the Federal Reserve Board financial penalties imposed on larger grantors of credit—by thinking it was illegal to use credit cards and materially reducing their purchases—indicates two important factors. First, they are concerned about credit. Second, they apparently don't have a clear understanding of the sound use of credit.

It may also indicate that they are having problems and may not know where to get help in handling their obligations.

Now is the time for all retail credit grantors to work closely with the National Foundation for Consumer Credit—which is actively supported by most of the largest retail (and other) credit grantors. You will find two areas of support. First, they sponsor the creation and accrediting of local Consumer Credit Counseling Services—now in more than 200 cities. Second, they provide excellent material, used by schools, outlining the sound use of personal credit.

If there isn't a Consumer Credit Counseling Service in every major area in which you extend credit, then you should write for their brochure "Consumer Credit Counseling" and instruct your credit manager to work on forming a local service. To help your customers, you should have a supply of the Foundation's brochure "Getting A Hold on Credit" and provide it to each new account, especially people who are just starting to use credit.

You will get a prompt reply if you write for both to Robert E. Gibson, President, National Foundation for Consumer Credit, 1819 H Street N.W. Washington, D.C. 20006 and say "Bob Kahn sent you."

With this in mind, review the figures below which show the pattern of credit business for the first 6 months of 1980 vs. 1979.

Month	Change In Credit Sales As % Of Total Sales	Change In Bank Card Sales As % Of Total Sales	% Change In Number Of Charge Account Applications Received
January	+3.8%	+0.6%	+ 8%
February	+0.4%	+0.9%	+ 4%
March	+1.3%	−1.1%	− 7%
April	−1.8%	−3.9%	−59%*
May	−0.3%	−3.9%	−20%
June	+0.8%	−3.2%	−45%

**Contest in April 1979; none in 1980*

RThought: The holders of store credit cards continued to use them with only a nominal impact in April and a lesser impact in May. The store did nothing special to encourage credit; but it also did not communicate any proposed changes to the customers. In this store, one would assume that a very high percentage of the credit customers have one or more bank credit cards; and the apparent stability of store account usage may be deceptive. The level usage may be the result of a drop by regular users offset by a transfer from bank card users who were receiving notices of (and reading about notices of) annual charges, higher minimum monthly payments and transaction charges.

The drop in volume on bank cards as a percentage of total store sales was substantial—and it has continued to remain down. This may be a permanent decline because of the new charges being imposed by bank cards.

For the long run, the drop in the number of applications received each month may be the serious factor. It is too early to determine whether this is solely due to the Federal Reserve flap—or whether it represents increased concern about the rapid movement into a serious recession.

IDIOCY AT THE S.B.A.

The Small Business Administration is establishing new measures of eligibility for benefits as a small business. Each 4-digit Standard Industrial Code (SIC) would have a maximum of employees established.

Retail falls into the following 2-digit class groups:

52 Building material, hardware, garden supply and mobile home dealers
53 General merchandise stores
54 Food stores
55 Automotive dealers and gasoline service stations
56 Apparel and accessory stores
57 Furniture, home furnishings and equipment stores
58 Eating and drinking places
59 Miscellaneous retail

You judge the wisdom of the following comparisons:

Eating places allowed up to 50 employees vs. men's and boys' clothing and furnishing stores up to 20.

Book stores up to 25 vs. furniture stores up to 20.

Variety stores up to 100 vs. radio and TV stores up to 15.

Family clothing stores up to 50 vs. drug stores up to 20.

Sewing, needlework and piece goods stores up to 25 vs. sporting goods stores up to 15.

Mail order houses up to 150 vs. jewelry stores up to 20.

And to put all of this "small business" into perspective, look at some of the definitions of small business in other fields:

Copper mines	2,500
Dredging companies	1,000
Meat packing plants	1,500
Dog, cat and other pet food	2,500
Cigar manufacturing	2,500
Knit underwear mills	2,500
Folding paper board boxes	2,500
Greeting card publishing	2,500
Soap and other cleaners	2,500
Men's footwear, except athletic	2,500
Malleable iron foundries	2,500
Small arms factories	2,500
Farm machinery	2,500
Electronic computing companies	2,500
Electronic capacitors	2,500
Games and toys	2,500

RThought: It is true that billion dollar American Motors will no longer be small business (it has more than 2,500 employees); but somehow the concept of small business gets badly distorted when one compares retail companies with manufacturers and finds manufacturers with up to 2,500 employees while retailers are under 100 except for department and variety stores, mail order, vending machine operators and fuel oil dealers.

THE THOUGHTS OF FRIEDRICH A. HAYEK

Late last year **Forbes** published an article by Hayek on "The errors of constructivism." Hayek defines constructivists as people who lack a proper portion of humility and respect, people who are confident that man is smart enough to choose his own future and knows enough to achieve it, and often that they are the chosen people to bring that future into being. Hitler and Stalin fall into that class—and RT would place the teachers in many of business schools in that class as they train young people in methodology but not morality and send them forth as professional managers.

Hayek says that man is a rule-following animal and that he lives by three different kinds of rules:

> "Those chiefly negative (or prohibitory) rules of conduct which make possible the formation of social order are of three different kinds, which I spell out: (1) rules that are merely observed in fact but have never been stated in words; if we speak of the 'sense of justice' or 'the feeling for language' we refer to such rules which we are able to apply, but do not know explicitly; (2) rules that, though they have been stated in words, still merely express approximately what has long before been generally observed in action; and (3) rules that have been deliberately introduced and therefore necessarily exist as words set out in sentences."

The constructivists (and professional managers) accept only the third kind of rules.

They are helped along by the psychiatrists who say that there is no good or evil, right or wrong, but merely what a person thinks is right for him—at a given time. They are helped along by those who argue that justice is not a rational idea—all courts can do is take something from someone to give to someone else without proving that the taking is right.

And it is helped most by the scientist that say—"Have confidence; we can solve anything. We can solve the disposal of atomic waste safely for 250,000 years; we can create substitute forms of energy; we can change the genetic structure of man at our will—just give us enough money."

Hayek made this observation:

> "The delusion that advancing theoretical knowledge places us everywhere increasingly in a position to reduce complex interconnections to ascertainable particular facts often leads to new scientific errors. Especially it leads to those errors of science which we just now consider, because they lead to the destruction of irreplaceable values, to which we owe our social order and our civilization. **Such errors are substantially because of an arrogation of pretended knowledge, which in fact no one possesses and which even the advance of science is not likely to give use."**

RThought: The above paragraph describes exactly how the builders of computers have misled and bedazzled retailers. The

WHITHER SATISFACTION GUARANTEED?

The Federal Trade Commission, in implementing the "Magnuson-Moss Warranty–Federal Trade Commission Improvement Act," apparently missed (or misunderstood) the word "improvement" in the title of the act.

The act provides that a "full warranty" must meet the provisions of Section 104 which are:

> 1. . . . as a minimum, remedy such consumer product within a reasonable time and without charge, in the case of **a defect, malfunction or failure** to conform with such written warranty. (Emphasis added–note that satisfaction is not guaranteed–just product performance.)
> 2. . . . may not impose any limitation on the duration of any implied warranty of the product. (Note: implied warranties derive from state law.)
> 3. . . . may not exclude or limit consequential damage for breach of any written or implied warranty on such product, **unless such exclusion or limitation conspicuously appears on the face of the warranty**; and
> 4. if the product . . . contains a defect or malfunction after a reasonable number of attempts by the warrantor to remedy defects or malfunctions in the product, such warrantor must permit the consumer to elect either a refund for, or replacement without charge of, such product or part . . .

With reasonable FTC rules, more companies might offer full warranties. Unfortunately, the rules were not reasonable; business has little faith in the FTC, and perhaps less faith in the implementation ability of its own rapidly changing middle management staff. Thus the result of Congress's attempt to help consumers has ended up hurting them. Most businesses restricted their warranty–clearly labeled as a "limited warranty;" few took the steps necessary (including training staff to fulfill guarantees) to provide a "full warranty."

Now the Federal Trade Commission has asked Sears, Wards, Korvettes, Woolworth's and K mart to substantiate their satisfaction guaranteed claims.

Sears, which built its business on "Satisfaction Guaranteed or Your Money Back" is crying the loudest–in another of their anti-consumer stances. In their protest, they argue that even if it only takes 1 or 2 hours per outlet for 3,500 outlets to accumulate the information requested, this will require 3,500 to 7,000 man-hours. If we assume that these Sears people average \$8 per hour, this comes to \$28,000 to \$56,000–probably less than the cost of the time of the top executives who will fight the FTC.

Wards and K mart have joined Sears in the protest; Woolworth's and Korvettes are making no charges of violation of Congressional intent or charges of that this is a fishing expedition.

RThought: Increasingly consumers have complained about the failure of retailers to back their goods. There appear to be several reasons for product failure. Retailers are trying hard to keep prices down and often that means selling lower quality goods. Sometimes this is done by the supplier without the knowledge of the retailer; sometimes it is known by the buyer but not the top store management; and usually it comes as a surprise to the customer. Partially this is a result of increasingly complex products being sold to consumers; sometimes it is a matter of new fabrics that neither the manufacturer nor the customer knows how to handle. It may be due to a general drop in manufacturing standards throughout U.S. industry.

Finally, it is due to figure-conscious retail management that think they have saved money by not taking back defective merchandise for refund or exchange, but do not understand that the customer may not come back to their store. This is a reflection of the absence of merchants in management, a failure that can be blamed on the company's Board of Directors.

RThought: RT can offer 2 outstanding examples of "full warranty;" unfortunately, neither comes from a national chain nor conventional department store where one would expect it.

The fastest refund/exchange known to RT is at Gemco Department Stores (a discount subsidiary of Lucky Stores). Gemco still operates on a membership basis. You must show your card when going into the store. You may not take packages into the store. Thus if you have an item for refund or exchange, you must surrender it at the door. The staff there doesn't understand what is wrong with the product; they just understand that the customer wants a refund or exchange and they comply with that wish.

The other example of a full warranty is that offered (and fulfilled) by The Talbots, a mail-order and retail store subsidiary of General Mills. In their Fall 1980 catalog, they devote all of page 2 to stating their policies, including the following statement:

> **Our Guarantee.** We've had our guarantee for 33 years and it means exactly what it says. "If, for any reason, you're not satisfied with any purchase, please return the merchandise and we'll replace it or refund your money, whichever you prefer." There's no time limit. No exceptions. And refunds or replacements are made promptly. By the way, our stores also honor this guarantee, whether you made your purchase from our catalog or any of our stores.

Perhaps this kind of guarantee–which is more common today among mail order retailers than conventional retailers–partially explains the faster growth of mail order.

RThought: The most serious problem with the fight today is that it will not benefit anyone. It will just demonstrate that the FTC doesn't use good sense in trying to help the consumer and that Sears/Wards/K mart don't indicate a very strong desire to stand behind the products they sell. The result will be accusations hurled in the press, years of legal haggling and volumes of unworkable rules.

There is no one with common sense speaking up. The trade associations like NRMA, NMRI and AGMC won't speak up when their major members are split. They tend to do something only when their big members agree–which puts them strongly in support of motherhood and eliminating the minimum wage and very little else.

SHORT SHORTS

Religion in American Life (815 2nd Avenue, New York, NY 10017, write for annual report) had an interesting public service ad recently in **Hardware Retailing** quoting William F. May, Chairman, American Can Co., as follows: "Many businesses hesitate to give to religion for various reasons. I, personally, have never hesitated to consider inter-religious causes because I have come to believe that my company needs the responsibility and morality that religion teaches. If business is to function properly, it needs a community where basic values are believed and encouraged. That's religion's job and it needs the support we can give it through an inter-religious organization like Religion in American Life."

A FEATURE REPORT

OBSCENE PROFITS LEAD TO OBSCENE MERCHANDISING?

Certainly Shell Oil Company isn't facing serious financial problems. A substantial portion of the United States population considers that their present level of profits is obscene. After all, in 1979 they made more money than any other corporation in the world—$6.8 billion.

Therefore, one wonders why they must resort to deceptive merchandising techniques to make a few bucks commission off a credit card insurance scheme. But resort to it they did.

A recent mailing to Shell Oil Company credit cardholders contained a check for $1.00. In large, bold-face type at the top of the enclosed letter is the following:

"You may deposit or cash the enclosed $1.00 check at your bank. It's a real, live check!"

The first lines of the letter read:

> "Enclosed is a $1.00 check in your name. Not a phony or 'specimen,' but an actual negotiable check!
>
> "You can endorse it and deposit or cash it at any bank until the void date printed on the face of the check. It's the Hot-Line Credit Card Bureau of America's way of introducing you to a time and money-saving service."

That is as far as I read although I gathered from glancing at the page that they were peddling a plan to insure people against losses on credit cards in the event they did not report the loss promptly. As I do with letters with a stamp or a penny attached, I threw the letter away and put the check with other checks to be deposited (such checks are stamped "Deposit to the within named account" and do not bear a signature).

I forgot about the matter until a reader, Arthur Maier of KMGA (Marvella, Coro, etc.) brought the material to my attention.

On reading it closer, I found at the end of the letter, on the 4th page (!) the following statement:

> "Just endorse and deposit the $1.00 check right away (since it is void after the date printed on it) at your bank. Or cash it if you prefer. When the cancelled check is returned to us from our bank, we'll process your Hot-Line membership, mail you your Membership Kit, and bill your account for just $12 annual membership dues.
>
> "But remember, you may cancel anytime within thirty days (Ed note: they don't say from when) and your account will be credited and keep the $1.00 just for giving Hot-Line a try!
>
> "You have nothing to lose!
>
> Sincerely,
>
> SHELL OIL COMPANY
>
> s/W. H. Cothern
> Harold Cothern
> Credit Services Manager
>
> "P.S. The $1.00 check enclosed in your name is good. You can deposit or cash it. But you must become a new Hot-Line member to take advantage of this offer. If you are already a member, please disregard since this offer does not apply to renewals. Cashing the check will result in a duplicate membership and a corresponding charge on your account."

In much smaller type at the end of the 4th page, they quote the Federal law on liability under credit cards plus a statement that it is the policy of many credit card issuers not to hold cardholder liable in any event.

On the back of the check, which I never looked at, there is a statement that reads, "Negotiation of this check represents acceptance of a one year membership in the Hot-Line Credit Card Bureau of America for only $12, billed to my Shell credit card account." It also says that "Payee must endorse here before depositing or cashing this check."

RThought: On receipt of the material from Arthur Maier, I did 3 things. First, I thanked him and said I would warn RT readers so that they could judge the integrity of Shell Oil Company. Second, I sent the original material to the Federal Trade Commission as part of a complaint, with a copy of the cover letter to Mr. Cothern. Third, I instructed Mr. Cothern to cancel my membership. (NOTE: I received a call from Shell by the draftsman of the letter. He explained that the original letter proposed by Hot-Line and used by 5 other oil companies was so objectionable that he wrote this one. I explained this one was not very good. They did cancel my membership.)

RThought: What does Shell know about the people who run Hot-Line Credit Card Bureau of America? That isn't even the corporate name of the company that Shell customers will be dealing with, and nowhere does Shell feel obligated to give the true name of the firm that they are shilling for. All this just to make $4 out of the $12 fee? Hot-Line sends a form to the new member asking for the credit card number of every air travel card, auto rental card, department store card, oil company card, bank credit or debit card and travel/enterainment card. And what happens if someone has access to such a list—and starts ordering on your card by telephone, courtesy of providing the information you have innocently provided assuming that Shell has thoroughly checked the firm and the background of the individuals?

It should be pointed out that Walter Mondale first gained national notoriety by exposing the former mayor of Minneapolis who was defrauding the Sister Kenny Foundation, with the help of a mob-related direct mail operation out of Chicago. That Chicago organization guaranteed that the money raised in each mailing would exceed the cost of mailing (once it did so only by 3%!) so that they could have the names of "givers" to sell to others.

RThought: If there are people who decide which house to rob by checking the relatives of a dead person and breaking into their house during the funeral, why wouldn't it be smart for a bunch of crooks to infiltrate an insurance bureau for credit cards in order to get the names of someone like me—who has 2 travel/entertainment cards, 3 bank credit cards, 6 oil company cards, 2 auto rental cards and about 20 to 30 store credit cards. If they were so minded, would they think that locating and burglarizing my house or making telephone orders on my credit cards could be a productive use of their time?

computer people said if we just got all of our merchandise information under complete control we would reduce our inventory yet carry what our customers wanted in styles, sizes and colors. We would greatly improve our profits by increasing our sales volume on less investment and with dramatically reduced markdowns.

What has happened over the years that major retail organizations–department stores, national chains, food chains, specialty chains and discount chains–have increased their use of computers? Turnover has declined, markdowns have increased and return on equity has been reduced.

The same computers were going to permit the construction of mathematical models that would permit us to use the past to accurately forecast the future. More and more such models have been built. They all disagree. No one ever tracks their long-term accuracy. And the depression predicted successively for 1977, 1978 and 1979 finally arrived 4 years late in 1980.

MIXED PERSPECTIVE ON OSHA

Louis Harris recently made a survey for Marsh & McLennan, the internationally known insurance analysts, for their study of "Risk in a Complex Society."

One area of questioning involved whether or not the respondents felt that the industrial safety standards established by government had made any major change in on-the-job safety.

A majority in 4 of the 5 major groups questioned–investors and lenders, members of Congress, Federal regulators and the public–felt that the standards had brought improvement.

One might say that the members of Congress obviously felt that there was improvement or else they would be criticizing their own collective majority judgment. And the regulators, of course, feel that their regulating efforts are beneficial.

The investors and lenders have a somewhat clearer perspective. They are observers of the industries to which the regulation applies. Some may feel that regulation brought them opportunities, as in the case of lenders who serve many top credit companies required to make major capital investments to meet new regulations.

The public is more representative of the beneficiaries of the legislation since it includes the people working in industrial plants.

But there was the 5th group–a very well organized and vocal group–that said "NO" by 55% to 38%–and that was top corporate executives. These are the people who are compelled to authorize the money for compliance, perhaps temporarily reducing profits. They are also people who seldom spend much of their time exposed to greater dangers than spilled hot coffee or airplane accidents (on airline safety they take a different view–many still don't fly in DC-10s).

The top executives argue that a complex life involves taking many risks. Many have commented that you take a risk just driving to work.

They also argue that too many restrictions on risks will deprive society of the benefits of future technological improvements. Again, the improvements introduce risks in areas where top corporate executives are usually not exposed (do you recall any $250,000 to $500,000 homes in the area of Love Canal?)

RThought: It is important for top executives to maintain their perspective of society as a whole. They bring benefits to society not only by offering new technological improvements; they do it by improving the lot of the worker and the average citizen.

Kipling offers sound advice in his great poem, IF:

> "If you can talk with crowds and keep your virtue,
> Or walk with Kings–nor lose the common touch."

The challenge to executives, including retail executives, is not to lose the common touch, the feel for the impact on little people and workers of their efforts as executives to bring improvements to their business and to their profit.

MORE CHISELING BY RETAILERS

The Federation of Apparel Manufacturers sent a bulletin last March to 5,500 manufacturers of women's and children's apparel reporting unilateral action taken in letters from the chief executive officers of Marshal Field's Chicago division, Ivey's (then independent–but perhaps the unity of thinking on abusing suppliers brought the two together), Allied Store's Bon Marche in Seattle and the Fashion Bar in Denver.

Marshall Field said they were now honoring invoice terms on the basis of date of receipt of goods.

Ivey's imposed arbitrary "handling charges" on 17 kinds of what they call "vendor errors."

Fashion Bar had similar penalties at $50 per error or 2% of invoice whichever is greater.

Bon Marche announced that defective goods would be returned without authorization and if not accepted would be donated to charity.

RThought: It perhaps reflects the general intelligence of people who have no moral standards that they put in writing flagrant violations of the Robinson-Patman Act. Any supplier who accedes to their arbitrary terms is granting a right that is not provided to similarly situated competing firms and thus is providing special terms that cannot be cost-justified. Unfortunately, the FTC, despite all its abuse of power, has never found it expedient to take on the major retail firms that take for themselves economic benefits not granted to all like buyers. (But the FTC–see Feature Report in this issue–wants to reduce the level of satisfaction guarantee of customers.)

It is doubtful that these steps will significantly improve the profits of the firms involved. The steps are not condoned by the Uniform Commercial Code–and all a supplier has to do to negate the steps is to send a confirmation clearly stating his terms of shipment. Unless the buyer objects to the terms, the latter statement of terms will be upheld in court, according to my discussions with attorneys on this matter.

NATIONAL CONSUMER EDUCATION WEEK

President Carter has declared the week beginning October 5, 1980 as National Consumer Education Week. His proclamation says in part:

> "Every citizen can benefit from knowing more about consumer law, rights, and avenues of redress. Many people–including the elderly and the poor–need help in learning about buying skills, financial management, resource conservation methods, and self-help or alternative solutions to economic constraints. In addition, educated

consumers can do much to ensure genuine competition, increased productivity, high quality, and lower prices in the marketplace."

Retailers have the same goals—and yet most of the response to the proclamation will come from schools, government, consumer organizations and labor unions—the groups identified in the proclamation before Mr. Carter used the very general term "and businesses."

Shirley Hufstedler, Secretary of Education, and Esther Peterson (former consumer adviser to Giant Foods in Washington, D.C.), Special Assistant to the President for Consumer Affairs, signed a joint letter urging the same groups to cooperate. The letter also observes, "Many businesses have also found consumer education to be valuable as both a public service and a marketing strategy."

RThought: Do you think the schools in your trading area will be able to put on a good program on "consumer education" without your participation? Or is there a chance that if you read their material later you would be inclined to react: "This is an anti-business week!" Do you think they will tell about the work being done by the local Consumer Credit Counseling Services under the leadership of the National Foundation for Consumer Credit if you don't help them? Do you think that people will learn about the work being done by the local Better Business Bureau, largely supported by business? And what about the complaint settlement procedures being established by appliance manufacturers/dealers through the local BBBs?

Who will interpret your policies on guarantees of satisfaction with purchases, implementation of manufacturers' warranties, and service support to product sold? Without your assistance, the classrooms are likely to be flooded with non-typical examples of the conduct by an unscrupulous minority in retailing.

It would seem appropriate for each reader of RT to see that his firm participates in every community in which it does business. Esther Peterson is heading up National Consumer Education Week—and suggesting that schools hold a Consumer Education Fair or Consumer Assemblies or include discussions of consumer problems in regular classes. Your first step, then, should be to contact the local school districts, particularly the high school districts, and find out how you and your staff can help in their program.

When you know what is happening, support the effort in your advertising. Perhaps some groups can be invited into your stores so they can see how much time and effort is spent bringing a wide range of products to consumers at competitive prices. Show them how much time and attention goes into preparing advertising, starting months before the ad finally runs.

Show them how you handle consumer complaints.

If you run into problems finding out what is going on, call Esther Peterson, Special Assistant to the President, at the White House—(202) 456-1414.

TWO PEAS IN A POD

RT has previously described Visa and Master Card in this manner and summary of 1979 operations for the 2 bank cards, as reported in The Nilson Report (Box 49936 Barrington Station, Los Angeles, CA 90049, semi-monthly $215/yr, a must for firms heavily in plastic card credit).

	Master Card	Visa
Participating banks	11,921	11,384
Banking offices	34,874	39,942
Merchant outlets	2,125,065	1,939,300
Active accounts (billed monthly)	25,214,691	26,490,000
Total accounts	37,079,973	41,037,600
Cardholders (people)	52,900,000	55,800,000
Cards (plastic)	59,608,869	63,608,000
Outstanding balances	$12,114,551,462	$13,128,548,000
Charge volume (sales slips only)	$25,286,736,826	$25,274,541,000
Charge volume (incl. cash advance)	$27,692,123,436	$27,872,619,000

RThought: With most of the larger banks offering both cards on almost identical terms and conditions, the existence of 2 systems makes a farce of appearing to be competitive—and probably increases the cost of providing this service to retailers and consumers. In a number of countries, such as Australia, only a single card is offered and all banks are allowed to participate.

As a result of this divided business, Visa reported a breakeven in 1979 for member banks. The 18.5% of outstandings reported as income was offset by 6.9% operating costs, 8.9% cost of funds and 2.7% write-offs. Visa, system wide, (some banks do better than others) has reported reasonable profits only 2 years (1976 and 1977) out of the past 9, insignificant or no profits in 3 and moderate profits in the other 4.

SHORT SHORTS

Truth-in-Lending comes to Britain. Effective October 6, 1980, all advertisements offering credit must show the cash price, total amount payable on credit terms, the annual percentage rate, the frequency and number of payments, and the amount of the payment. Rules will generally parallel those in the United States; like son, like Father (Mother?).

WORDS TO WORK BY

I am grateful for the inspiration provided me by a little publication called Bits and Pieces (The Economics Press, Inc., 12 Daniel Road, Fairfield, NJ 07006, $8.28/yr). Some time back they put in juxtaposition quotes by Owen D. Young and Grenville Kleiser that should be helpful to every retail executive:

> The man who can put himself in the place of other men, who can understand the workings of their minds, need never worry about what the future has in store for him.
>
> *Owen D. Young*

> There are many fine things which you mean to do someday, under what you think will be more favorable circumstances. But the only time that is surely yours is the *present.*
>
> Hence, *this* is the time to speak the word of appreciation and sympathy, to do the generous deed, to forgive the fault of a thoughtless friend, to sacrifice self a little more for others.
>
> *Today* is the day in which to express your noblest qualities of mind and heart, to do at least one worthy thing which you have long postponed, and use your God-given abilities for the enrichment of some less fortunate fellow traveler.
>
> *Today* you can make your life significant—and worthwhile. The present is yours to do with as you will.
>
> *Grenville Kleiser*

RETAILING TODAY

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ROUTE TO

SEPTEMBER 1980

VOL. 15, NO. 9

CHRISTMAS SHOULD BE GOOD

What produces that extra volume in December? The desire to give gifts combined with the ability to pay for them. The ability to pay for them reflects a combination of the availability of credit to the giver and his confidence in his ability to meet the payments after Christmas.

There are widely varying opinions about when the recovery phase of the 1977 recession, which finally arrived in 1980, will start. We can all agree that the downturn started when the Federal Reserve Board assaulted bank and store credit cards. Yet this is what will insure a good, even great, Christmas season.

New consumer credit extended reached a peak in September 1979. It then started to drop during October through December 1979. This was attributed to the high interest costs (eventually the rates went higher) and lack of interest in the 1980 model cars because of the high price and low gas mileage. Credit extended rose again in January and stayed at about the same level through February and March 1980. When the Federal Reserve Board attacked, new credit extended started to drop rapidly.

Throughout this entire period, the amount of consumer credit repaid each month remained fairly level.

The normal situation is that new credit extended exceeds credit repaid. This is easy to understand when you think about it. When $200 of new credit is extended, it is all charged to the month of the sale. But for the succeeding month, depending on the credit grantor's schedule, the repayments are increased by only $10 to $40 a month.

From 1977 to 1979, new extensions exceeded repayments by about $3-4 billion a month. With the Federal Reserve Bank assault cutting new credit extended, and with repayments staying at the same level, the amount repaid in May exceeded new extensions by $4 billion.

RThought: This condition–repayments exceeding new extensions–will probably continue through much of the fall. Thus people will find their credit lines open by December. They will have the credit needed for all their planned gift purchases. They will be able to meet the post-Christmas payments without significantly increasing their repayments. Thus they will have the desire to give gifts, the credit available to finance them and the confidence that they can make the post-Christmas payments. Even high unemployment will not stop the people who are employed (91% to 93%) from buying gifts.

RThought: It is likely that those stores that honor both bank credit cards and their own will do better during December than those that only have their own credit cards. Bank credit cards require substantially smaller monthly payments for the same outstanding balance than do store cards. Even with credit available and confidence in ability to repay, consumers are likely to opt for the account that requires the smallest monthly payment (most likely they will repay at more than the minimum rate).

A MATTER OF ETHICS

Are you involved in the "be by" economy?

This was a new term to me. The chief executive officer of a major retail firm explained to me that people who did work around the homes in his area wanted to be paid in cash–so that they would not have to pay income tax on it. If you offered to send them a check when they finished the job, they said, "Please don't. I'll 'be by' to pick up the cash."

Not only do they not pay income tax, they don't pay Social Security. Of course, many are covered by Social Security on a primary job and are in the "be by" economy for their moonlight job.

Can you resist the offer to have a job done for less if you pay by cash?

Is this any different from paying cash to someone who works for you and is collecting Social Security so that they won't have a reduction in Social Security benefits? A number of stores–usually smaller ones–do this–"just to help out."

RThought: Is there any difference between cheating on your own income tax and helping someone else cheat on his income tax? If you are in the income range that brings regular tax audits, should you really be helping people to cheat? If more and more Americans play the "be by" game, won't your tax rate go up? Are you one of the people who complains about the cheaters who get away while you pay your honest tax liability? You ought to be doing everything to end the "be by" economy.

AWARD WINNING ANNUAL REPORTS

For 40 years FINANCIAL WORLD has selected through a panel of independent judges the outstanding annual reports for publicly held companies. This year, based on 1979 annual reports (years ending January 1980 in many cases), the following retail firms were honored. The firms are shown under their basic category which, in some cases, is not retailing.

Apparel
Cluett, Peabody & Co.
Hart, Schaffner & Marx
INTERCO, INC.
U.S. Shoe Corp.

Building Materials & Supplies
Evans Products Co.

Chemical Products, Paints & Coatings
W. R. Grace

Cosmetics, Toiletries, Sundry Health Care
Avon Products

Department and Chain Stores
Allied Stores
Dayton Hudson
Family Dollar Stores
Federated Department Stores
Heck's Inc.
Jamesway Corp.
K mart Corp.
Kuhn's–Big K Stores Corp.
May Department Stores
G. C. Murphy Co.
Pic'n Pay Stores, Inc.
Stop & Shop Co.
Unishops, Inc.
Wal-Mart Stores, Inc.
Woodward & Lothrop
F. W. Woolworth Co.

Financial Organizations
Beneficial Corp.

Forest & Paper Products
Boise Cascade
Union Camp

Grocery Stores, Supermarket Chains and Food Wholesalers
A. J. Bayless Markets
Fleming Cos.
Giant Food
Jewel Cos.
Kroger Cos.
Oshawa Group Ltd.
Pueblo International
Red Food Stores, Inc.
Safeway Stores
Southland Corp.
Star Supermarkets
Supermarkets General

Multi-Industry Companies
Amfac, Inc.
Chromalloy American Corp.
Dart Industries
Household Finance Corp.
Peavey Co.
Singer Co.

Office Equipment/Computers
Digital Equipment

Oil Services
Petrolane

Petroleum
Mobil Oil
Sun Oil

Recreation-Leisure Products
Fox-Stanley Photo Products
Franklin Mint Corp.

Rubber Products & Fires
Firestone Tire & Rubber
B. F. Goodrich Co.
Goodyear Tire and Rubber

Services
ARA Services

Specialty & Other Retail Stores
Fabri-Centers of America
Frank's Nursery
Lowe's Cos.
Melville Corp.
Modern Merchandising
Pay Less Drug Stores Northwest, Inc.
SCOA Industries, Inc.
Service Merchandise Co.
Tandy Corp.
Walgreen Co.

DISHONEST ABUSE OF FIGURES

One of the problems that faces business is that much of the populace does not believe the statements of business leaders.

Even when addressing a sophisticated business audience, many business leaders choose to make statements that may be factually correct but which are inherently and intentionally dishonest.

The oil industry does this regularly. In a letter to the editor of **Business Week** for 9/1/80, James L. Ketelsen, Chairman and CEO of Tenneco, Inc., whose compensation runs over $800,000 a year, does just this. He wrote, "Our net income from both energy and nonenergy activities for the first half of 1980 was $364 million, while our investment in oil and gas production in this country was nearly $500 million." The implication? Tenneco is spending more than their total pro to help us out with more oil.

The facts? Investment does not come from book profits but from cash flow. In looking at Tenneco for the years ending December 1979 and 1978 (the full mid-year 1980 10-Q was not available), we see that Tenneco paid out 45% and 50% respectively of their profits in dividends. Obviously, these dividends are not available for reinvestment. On the other hand, the non-cash items (depreciation, depletion, amortization, deferred taxes, etc.) represented 94% and 123% respectively of reported income.

In both years Tenneco made substantial ($272 million and $330 million) additions to long-term debt which did not materially change the balance of their capital structure between equity and debt.

It should be pointed out that **Business Week,** and even **Forbes,** always tolerate these statements by the oil industry without ever insuring that the facts are correctly stated. Mr. Haynes, the Chairman of Standard Oil of California, always makes such statements to his shareholders—even when the contrary facts are clearly set forth in the accompanying annual report.

RThought: The United States oil industry really demonstrates no loyalty to the United States. In fact, much of the profit in oil companies (appreciated value of assets as a result of world price increases) is never disclosed to the ordinary shareholders. The industry can blame this on archaic accounting restrictions that require firms to report reductions of value below origi cost but never to reflect increases above original cost. Th has never been any demand by people such as Mr. Ketelsen or

WHO CAUSED THE RECESSION?

At last the Carter Administration is telling the truth about the cause of the present recession. Labor Secretary F. Ray Marshall recently said that American automakers are to blame for the slump in the U.S. industry. He made the remark at a meeting with his Japanese counterpart and explained that the auto industry slump was a management problem and not the fault of Japanese imports.

As retailers, the readers of RT understand that the primary goal of a mass production economy is to mass produce what the masses of people want and then to sell the product of that manufacturing system through mass outlets.

Providing the right kind of cars is basically as simple as providing the right length skirts—remain very sensitive to all the clues that the customers give you.

The table below shows the growing importance of imported cars. The vast majority of imported cars are small economy cars—Volkswagen, Datsun, Toyota, Honda, Subaru, Fiat—and most of the remainder—Audi, Volvo, Saab, Peugeot, Alfa Romeo—are smaller than U.S. cars of recent years and provide better mileage.

U.S. PASSENGER CAR SALES

	Total Number (000)	Import Number (000)	Import Percent
1950	6,534	21	0.3
1954	5,387	35	0.6
1955	7,723	57	0.7
1956	5,731	108	1.9
1957	6,361	259	4.1
1958	4,563	431	9.4
1959	6,142	688	11.2
1960	6,974	444	6.4
1961	NOT AVAILABLE IN MY RECORDS		
1962	7,319	376	5.1
1963	8,053	409	5.1
1964	8,261	516	6.2
1965	9,660	539	5.6
1966	9,250	913	9.9
1967	8,092	1,021	12.6
1968	10,027	1,621	16.2
1969	9,654	1,847	19.1
1970	8,111	2,013	24.8
1971	10,709	2,587	24.2
1972	10,839	2,486	22.9
1973	11,439	2,437	21.3
1974	8,867	2,573	29.0
1975	8,640	2,075	24.0
1976	10,110	2,537	25.1
1977	11,185	2,791	25.0
1978	11,312	3,025	26.7

We must issue a word of caution about the figures reported for imported cars—the definition has varied somewhat over the years. In earlier years the figure included both used and new cars—and during the 1950s, when there were many U.S. troops in Germany, there were many used Volkswagens brought into the United States. In the middle years the number reported is the number imported, which will vary from the number sold by the changes in inventory level from year end to year end.

Despite those cautions, several points are evident:

1. The introduction of small cars by the Big 3 U.S. makers in 1960 (Ford Falcon, Plymouth Valiant/Dodge Dart, Chevrolet Corvair) temporarily halted the VW invasion.
2. As the Big 3 stretched the size of their compacts, the flow of imports increased again, especially in 1966 when there was no oil boycott and the "real" price of gasoline was dropping.
3. By 1970 imports were taking one-quarter of the market (by this time some of the imports were appearing under a Ford, Mercury, Buick, Plymouth or Dodge name but they were imports nevertheless).
4. The oft-reported "return to typical large car demand" following the 1973-74 oil boycott meant a return to the 24%-25% level of 1970-71.

RThought: If you knew that 25% of your potential customers specifically didn't want your product (as in 1970-71), wouldn't you start doing something to keep those customers? Detroit did nothing. They made more money on big cars—so to heck with the people who wanted small cars.

At the same time that Labor Secretary Marshall was properly placing the blame for our recession on Detroit, Ford was bragging about their new "World Car" produced at a cost of $3 billion over the past 4 years. That admission indicates that Ford did not start planning a small car (subcompact) until 1976, when the level of imports was at about the same level as it was 6 years earlier in 1970. Some sensitivity!

RT does not intend to minimize the help given to the recession by Mr. Volcker and his assault on one part of our economy—consumer credit—while doing nothing to limit low margin speculation in commodities and metals.

SHORT SHORTS

John Thompson of Southland was very gracious in giving credit, on Jerry Lewis' Telethon for the Muscular Dystrophy Association, to the National Association of Convenience Stores (NACS) for expanding support from the 7,000 Southland stores to the 20,000 NACS stores. Good citizen Southland will undoubtedly raise much more than half with about [illegible] third of the stores.

Bullocks, Southern California, a quality store? RT has received a copy of a letter from a knowledgeable customer to the President of Bullocks, Mr. Bruce Schwaegler, protesting the fact that the customer's wife brought home a boy's Izod shirt sold as a regular but which was irregular and was marked as such! The question must remain whether Izod cheated Bullocks and Bullocks is not capable of inspecting incoming goods, Bullocks knew that the goods were irregular but thought they could get by on a sale without disclosing the fact, or that everyone was careless. **But it highlights the fact that even stores with the reputation of Bullocks are losing control of the integrity of their merchandising.**

A STATISTICAL SUPPLEMENT

CREDIT OFFICE RATING

Some new names are appearing on the Honor Roll. Hopefully more new names will appear.

HONOR ROLL

Rubenstein's	2.0	Bloomingdales	4.0
Liberty House	2.7	Grodin's	4.0
Mervyn's	3.1	Levy Bros.	4.0
Gimbel's	3.5	Macy*s	4.0
		Marshall Field	4.0

CREDIT OFFICE RATING

Information From Reporters	JUNE-JULY 1980 No. of Reports	JUNE-JULY 1980 Days to Bill Average	JUNE-JULY 1980 Days to Bill Range	APRIL-MAY 1980 No. of Reports	APRIL-MAY 1980 Days to Bill Average	APRIL-MAY 1980 Days to Bill Range
B. Altman, N.Y.	3	4.3	4-5	1	5.0	5
Bloomingdale's, N.Y.	1	4.0	4	1	4.0	4
Bonwit Teller, N.Y.	1	9.0	9	–	–	–
Brooks Bros., N.Y.	2	5.0	4-6	2	4.0	3-5
Buffum's, So. CA	1	5.0	5	–	–	–
Bullock's, So. CA	2	5.5	4-7	2	4.5	4-5
Bullock's, No. CA	5	8.2	5-12	4	9.5	5-16
Capwell's, No. CA	7	5.0	4-7	5	4.8	3-7
Nan Duskin, Philadelphia	1	13.0	13	–	–	–
Emporium, No. CA	2	6.5	6-7	1	6.0	6
Foley's, Houston	2	8.5	8-9	1	8.0	8
Grodin's, No. CA	1	4.0	4	–	–	–
Gump's, No. CA	4	20.5	16-30	2	21.0	20-22
Liberty House, No. CA	3	2.7	2-3	3	3.3	2-5
Livingston Bros., No. CA	3	5.0	5	3	7.7	7-9
Macy's,No. CA	6	4.0	4	7	4.0	3-5
I. Magnin, No. CA	7	9.4	8-11	2	6.5	6-7
Marshall Field, Chicago	2	4.0	4	2	6.5	4-9
May Co., So. CA	1	6.0	6	2	4.5	4-5
Penney's, No. CA	1	6.0	6	1	6.0	6
Saks 5th Ave., N.Y.	2	6.0	5-7	3	9.3	6-16
Sears, So. CA	1	7.0	7	2	8.0	8
Sears, No. CA	7	7.6	7-8	8	7.4	6-9
Smith's, No. CA	3	8.3	6-12	2	7.5	7-8
Wanamaker's, Philadelphia	1	8.0	8	1	5.0	5
Weinstock's, No. CA	2	5.5	5-6	1	4.0	4
TOTALS	71	7.1	2-30	56	6.7	2-22

Information From Stores	JUNE-JULY 1980 No. of Reports	JUNE-JULY 1980 Days to Bill Average	JUNE-JULY 1980 Days to Bill Range	APRIL-MAY 1980 No. of Reports	APRIL-MAY 1980 Days to Bill Average	APRIL-MAY 1980 Days to Bill Range
Carlisle's, Astabula	2	6.0	6	2	6.0	6
Gimbel's, Philadelphia	36	3.5	3-4	36	3.6	3-5
Holman's, No. CA	5	7.4	7-9	9	4.6	3-7
Levy Bros., No. CA	5	4.0	4	8	3.6	3-5
Mervyn's, No. CA	20	3.1	3-4	20	3.7	3-4
Ross Stores, No. CA	5	4.2	4-5	3	4.7	4-5
Rubenstein's, Shreveport	3	2.0	2	3	2.0	2
Waldoff's, Hattiesburg	2	10.0	10	1	12.0	12
Wineman's, So. CA	2	5.0	5	1	4.0	4
TOTALS	80	3.9	2-10	83	5.8	2-12

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.

WHY RT PUBLISHES ADDRESS AND SUBSCRIPTION COSTS: RT gets ideas from other publications and feels that readers may want to obtain the complete document. RT is always annoyed when a citation is given without an address and often spends hours tracing down the source. The publication quoted does not know that it is being cited and RT gets nothing beyond the good feeling that comes from plugging a good source for RT readers.

Mr. Haynes to present the full facts to the true owners of the corporation.

RThought: Is there a lesson here for retailers? In our own way we retailers have our little (big?) lies which we keep repeating to the public audience. For example, we readily attribute all inventory shortages to dishonest customers and/or employees. In fact, we can weep mammoth tears as we deplore the declining moral standards of the public. Yet when someone finally tackles a 3% or 4% shrinkage rate and brings it down to 1%, it is never accomplished by massive increases in the arrests and prosecutions of shoplifters or employees. It is more likely that we educate people as to what causes shortages under our bookkeeping system and we correct the recordkeeping. Even at the merchandise manager level, 50% or more don't understand the retail method of inventory and therefore cannot be aware of the causes of shortage.

Another little lie that retailers keep stating to the public is that the decline in profit was "within plan." At other times when companies have had to close a large number of unprofitable stores (which should have been closed years ago but the company didn't want to appear to be a smaller, though perhaps more profitable business), we announce that we are "now a stronger company." Unfortunately, too often the succeeding years are also downers.

Finally, when we are doing well, it is always our great skill as managers; but when sales increase slowly and profits drop, it is always the "unusual competitive situation in the market" and the result of massive promotions "to maintain market position."

Even worse—retailers tend to believe each other when they make these statements!

WITHER GOEST K MART

The headline read "K mart files offering with SEC" and proceeded to tell about an offering of $200 million in notes due in 1985.

My mind immediately went to a July 1977 **Fortune** article which I pulled from the file. Entitled "K Mart has to open some new doors on the future," it proceeded to tell of the unique problem at K mart—too much cash accumulating. The article predicted that by 1982 K mart would pile up $500 million extra cash.

My long-time friend and former co-worker, Perry Meyers, was quoted as saying the company should keep pouring out those mounting profits unless "they get fat between the ears."

Vice Chairman Walter Teninga was in charge of the special Study Group on Corporate Strategy—10 executives, mostly junior rank, drawn from every major area of the business and chaired by Norman Milley. They spent two years developing a blue-bound volume entitled "Strategic Planning Criteria."

And now, in 1980, when the cash should be rolling in, and when K mart invested only $66 million for Furr's Cafeterias, they are selling notes for $200 million.

So much for **Fortune** articles—inaccurate after just three years!

RThought: But there was a pleasant by-product to this file search. I came upon a copy of the 1974 Annual Seegal-Macy Lecture given by Robert E. Dewar at the University of Michigan Graduate School of Business Administration. There were two marked sections that I read again, some six years later, with great pleasure.

In describing the outcome of the research done by Mr. Cunningham that got S. S. Kresge into discounting, Mr. Dewar gave this quote:

> "We can't beat the discounters operating under the physical constraints and the self-imposed merchandise limitations of variety stores. We can join them—and not only join them, **but with our people, procedures and organization we can become a leader in the discount industry.**" (Emphasis added.)

In my talks I constantly emphasize that Kresge's had a secret weapon—700 store managers. I explain that the channels of control were so strong that if a memo were sent out with a sketch of a new sign reading, "J. J. Jones Co." with instructions to change the store name in 30 days, 698 stores would change on the appointed day.

This is not to belittle two important attributes of Kresge that other discounters did not have. First, $200 million net worth with only $55 million in total liabilities. Second, $44 million in cash and a listed securities.

The second paragraph of interest read:

> "Joe Ellis, a bright young financial analyst at Goldman Sachs (now one of the leading retail analysts), gave a speech in Cleveland a few months ago on the retailing industry. He made this interesting observation: **'Automobile manufacturing is by its nature capital-intensive; the semi-conductor business is technology-intensive; and retailing is management-intensive.'** " (Emphasis added.)

Unfortunately, there is usually a shortage of management in the management-intensive retail field with the results that most retailers are not good financial performers.

RThought: It is interesting to note that J. C. Penney, often reported as being under capital pressure, just recently completed a financing for $200 million, the exact amount that is being sought by K mart, which was supposed to have surplus cash.

RULES THAT REGULATE RETAILING BUT NOT OTHER BUSINESS

Most retailers are not aware of the number of rules that apply to retailers—but do not apply to parallel situations in other businesses. Much of this represents the power of trade associations to abuse customers through special legislation, and the lack of knowledge on the part of customers as to what is being done to them.

Can you open a charge account without providing the customer with a copy of his account agreement (contract)? Of course not. Yet if you are a bank, you can disguise your contract as something dishonestly called "a signature card" and never provide the customer with a copy. Banks print conditions and restrictions on the back of a signature card, but the customer is not provided a copy (most wise businesses make copies of such cards—but few ever read them). The following, shown in the print size actually used, is typical of the "contract terms:"

> **"The undersigned enter into this bank-depositor agreement with the (bank name deleted to protect the guilty—Ed.) and agree that this account shall be carried by said Bank as a ____ Checking ____Savings account, and that all funds on deposit in said account shall be governed by said Bank's by-laws, *all future amendments thereof, all regulations passed or hereafter to be passed* by its Board**

of Directors pursuant to said by-laws, and by *all rules and practices* as to interest and service charges of said Bank relating to said account." (Emphasis added.)

If your store has a credit balance on an inactive account, do you think that you could get away not sending out statements to that customer? Of course not.

Yet insurance companies on policies with a cash surrender value, when the policy appears to have lapsed because of non-payment of premiums, are not required to send out notices to the customers, even when the policy contains an automatic loan provision that keeps the policy in effect. In their hearts the insurance companies hope that the person will also throw the policy away so that they will never have to make payment on the death of the insured.

Or back to banks—most states establish as the test of an active account that within a limited number of years the owner must make a deposit, withdrawal or present the passbook for entry to interest. When banks replaced passbooks with periodic statements, they were not required to send statements. If no statements are sent, the account owner may forget that he had one, move so his address is no longer current, or die without telling anyone, all to the profit of the bank who gets the use of the money, often without even paying interest into the account! Others steal the balance quietly through service charges imposed without the knowledge of the customer. (Recently Bank of America was ordered by California courts to pay $20 million to the state that they had withheld from accounts that ultimately escheated to the state.)

RThought: How come they don't watch banks and insurance companies the way they do retailers? Customers understand retail operations much better than they understand banks and insurance companies and thus can protect themselves better against retailers than against banks and insurance companies. For one thing, Better Business Bureaus, largely supported by retailers, help them; banks and insurance companies do little or nothing to fund organizations that protect customers against abuse by banks and insurance companies.

WONDERFUL SERVICE

This is a purely personal story, much removed from retail stores; but it has a moral for retailers. We have had 15 years of wonderful service from matched Gibson refrigerator-freezers. After that 15 years, including rough use by a 4-member family, a small plastic hinge at the bottom of the door to the freezer compartment in the refrigerator finally called it quits.

Several Saturday trips to the local service and parts representative failed to produce the proper part. I was finally told that "they probably don't have them anymore." After six months of annoyance and non-use of the freezer compartment, I looked up Gibson in Standard & Poor's Register and called Mr. Arend, listed as Vice President for Refrigerators. I explained my problem.

There was a slight pause, and then he said, "I'm trying to figure out the best way to help you!" I told him that those were the most wonderful words I had heard in a long time, that I was a consultant to retailers, and I just wished that I could get all the people in my clients' organizations to say things like that.

Within 15 minutes the parts manager in Michigan called back. Within 90 seconds I had again described the part that I wanted and had the correct part number!

I then called the local dealer—this time on a Thursday—and got the service department. The person at the other end sounded much different than the man I had talked to several times trying to get the part; and so I asked, "Are you new in this department?" When he said he had been there for years, I described the man who had helped me on each Saturday morning; and he said, "Oh, that's Peter—he helps us out weekends!"

It is obvious that Peter is not completely qualified—and rather than say, "Would you call back during the week when the manager is here," he got rid of me by saying the parts are no longer available. I had contemplated for some months whether we should spend $1,000 or so for replacement matched units because I could not get a plastic hinge—certainly the new units would not have been Gibson.

RThought: There is a moral here for retailers. Maintain a tight control on who is authorized to say to a customer, "They don't make that anymore" or "That is no longer available"—especially when it is obvious that your customer has a problem. Make it easy for your people to say—"Let me refer this to our manager and see if he can help you"—or even what Mr. Arend said: "I'm trying to figure out the best way to help you."

REMODELING DOES NOT INCREASE SALES!

Everytime I read an article about how remodeling a store has boosted sales by 50% or more—and that the cost will be repaid in 4 or 5 years—I am surprised that neither the store being reported on or the reporter realizes the true reason for the sales increase. **The store has been re-thought, not just remodeled.** In every case the location and size of departments have been changed, the types of display fixtures have been adjusted to the needs of current merchandise packaging, and the surroundings for the salespeople have been made more pleasant. These are the factors that contribute to improved performance, not the mere fact of painting and putting in new fixtures and lighting.

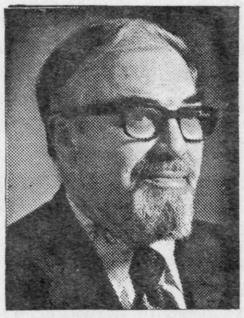
If the store has not previously been remodeled, then the current change propbably corrects, many years too late, all the mistakes made in the original design. There are very few stores that are correctly designed the first time—unless it represented a modest change in location while continuing to cater to the same clientele.

WORDS TO LAUGH AT

One RT reader reacted to the Mt. St. Helens eruption with the following notice that he distributed to those who should be concerned about eruptions:

UNITED STATES DEPARTMENT OF VOLCANOLOGY
Division of Public Safety
Office of the Chief Advisor
HOW TO COPE WITH A VOLCANIC ERUPTION

1. Do not procrastinate in formulating an escape plan while conceptualizing the various options available for delineating a course of action designed to produce the most favorable results expeditiously.
2. Maximize your alacrity in a degree approximating the apparent severity of the impending catastrophe and propel yourself by ambulatory means as rapidly as circumstances permit in the direction deemed most likely to lead away from the probable focal point of the geophysical disturbance threatened.
3. If available time or the absence of sufficient light to permit implementation of the reading of the foregoing instructions imposes insurmountable difficulties, RUN LIKE HELL!



RETAILING TODAY

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CORRECTION

In the September 1980 RT under the heading "Dishonest Abuse of Figures," I said, "The United States oil industry really demonstrates no loyalty to the United States."

One of RT's readers, who happens to be active in the oil industry wrote, "In my opinion that is too sweeping a generalization and not worthy of your fine publication." He is right and I was wrong to make such a broad statement.

There are dozens of United States companies and hundreds of individual oil operators whose total effort is toward the development of an energy supply to meet the needs of the United States. It was not my intent to impugn their loyalty, and I am sorry that I did so through careless writing.

What I should have said, to be accurate, is "The giant international oil companies incorporated in the United States—those included among The Seven Sisters—really demonstrate little loyalty to the United States."

I would give as a specific example Standard Oil Company of California—who, in the past, has taken directions from the Saudi Arabian government to do things (such as withhold shipments to the United States military forces) contrary to the position expected of a United States corporation. Yet this same company looks to the United States for protection of its employees throughout the world—and to other benefits of being incorporated in the United States.

The giant international oil companies rationalize their conduct by saying that their basic responsibilty is to make the most money for their shareholders. If loyalty to the United States, observance of common American standards of decency or morality, or compliance with United States laws will boost such profits, then loyalty, decency, morality and legality will be observed; if such conduct does **not** boost profits, then they will **not** be observed.

EQUAL PAY FOR COMPARABLE WORK

Retailers have adjusted to equal pay for the same work—that is, men and women working along side of each other doing identical work should be paid the same (with the exception of permitted differences based on seniority or merit awards).

But what about comparable work? Does a man selling men's clothing do work that is more difficult, requiring knowledge or utilizing more skill than is required of a woman selling men's sport shirts? Traditionally, the men's clothing salesperson—almost universally a man—has been paid more than the sport shirt salesperson, male or female.

APPLAUSE FOR FAIRCHILD PUBLICATIONS

RT has, for years, criticized unnecessary pornography in both retail advertising (see comments on Macy's of California this issue) and in publications addressed to retailers.

For many years, Fairchild Publications was one of the worst offenders. It appeared that they had no standards at all for ads in either Women's Wear Daily or Men's Wear.

Frequent comments were made in RT, and RT is aware that a number of retailers expressed their support for the position taken. I offered to change my position if someone could prove to me that such advertising produced business that could not otherwise be generated. No firm ever responded to that offer.

The purpose of this report to you is to record that for many months we (our entire staff) have not seen any of the offensive ads in either publication (or in any other Fairchild publication to which we subscribe).

Mr. John Fairchild—I know that I am speaking for many in the retail industry in addition to our small group here when I say thank you for making this change.

The Third Circuit Court of Appeals has just handed down a ruling in the case of the International Union of Electricians v. Westinghouse Electric Corporation that may change this pattern.

The problem arose because of different wording in two laws. The Equal Pay Act of 1963 aimed at the problem of paying people different rates for the identical work with the difference based solely on sex. It did not deal with comparable work.

Title VII of the 1964 Civil Rights Act said that there could not be discrimination because of sex. It did include a provision that permitted a few pay rate differentials that were included in the Equal Pay Act of 1963 (mainly differences based on seniority or merit increase).

The Court went to the heart of the matter when it concluded that employers could not "willfully discriminate against women in a way they could not discriminate against blacks, whites, Jews or Gentiles, Protestants or Catholics, Italians or Irishmen, or any other group protected by the Act."

Thus if you could not pay different wage rates because one group was Irish and the other Italian, no matter how accomplished, the same two jobs could not carry different pay rates when one was primarily filled by men and the other by women.

SPECIAL NOTICE

Just as we were going to the printer, we received information from the October 3, 1980 issue of FTC: WATCH on "Another Federated Dept. Stores Investigation." It reported that Federated was being investigated for inducing or coercing suppliers to grant discriminatory promotional allowances and prices. The preliminary investigation, started last year, has been expanded and the Commission has authorized use of compulsory process. Federated's suppliers are being contacted asking for documents relating to promotional allowances and rebates.

The FTC is asking for invoices for identical goods shipped to competitors of Federated stores–both department and specialty stores–as well as copies of all documents related to promotional allowances or rebates.

Earl Lifshey in **Retail Home Furnishings** reported one supplier as saying he had been contacted by FTC who said that FTC had received reports of "a leading department store chain" taking advantage of vendors including special allowances, arbitrary deductions, demands that suppliers accept unauthorized returns, disregard of payment terms, and deliberate prolongation of correspondence so as to delay payment.

Kiplinger Washington Letter (10/3/80) reports the same investigation.

RThought: RT has documented for some years some of the above conduct by Federated (and others) with the hopes that public disclosure of such facts would lead firms to change their policies and practices. RT feels strongly that Federated should be setting a good example for retailers rather than constantly expanding the abuse of their power over smaller suppliers. Unfortunately, Federated has not seen fit to change their practices. Perhaps the FTC will be able to succeed where RT has failed.

RThought: This case undoubtedly will be appealed by Westinghouse. Therefore, it does not represent a final adjudication of the matter.

However, it would behoove retailers, who are primary employers of women, to review carefully the description of every job, particularly the jobs primarily filled by men, and be certain that sex is not the major determinate of pay discrimination. This becomes more critical as one looks at pay rates for assistant buyers, buyers, divisional merchandise managers, store managers and other executive positions where the job is essentially the same but where pay rates frequently are lower for women than for men.

IF YOU WERE OPEN MONDAY TO FRIDAY ... WOULD YOU ADD SATURDAY?

That sounds like a silly question to ask–but that is the argument that is tearing apart retailing in New Zealand these days.

The adversary negotiations on this question take place before a governmental agency, whose awards are binding on management and labor; and much of the negotiation takes place within boundaries set by law. In June, the government proposed legislation permitting Saturday trading from 7:00 a.m. to 9:00 p.m.

The Shop Employees Association (the union) polled their members and reported that 98.5% did not want Saturday trading. The New Zealand Retailers' Federation found their members (which include most of what we would consider specialty retailer associations–footwear, drapery and apparel, electronic and appliance retailers, etc.) badly split.

The editorial in their monthly news publications said, "Of all the industry questions studied by the directors of the NZ Retailers' Federation, shopping hours have caused the most soul searching. Quite frankly, the board, pressed repeatedly for statements of policy, has wished the question would go away. This did not reflect a desire to hide its collective head in the sand; it was because *traditional New Zealand attitudes and the variety of opinions which are the hallmark of the retailer as an entrepreneur,* preclude a concensus by a board of 20-plus, representing the industry in all its shapes and sizes, nation wide."

It is because the industry could not come to a single decision (as it could not in the United States if the same question were posed) that the government took its own position and the legislature accepted the government position.

Local papers showed the same split. The Otago Daily Times said, "The issue is whether, on balance, the community is better off. Whether the Government . . . has been carried away by its eternal, and often foolish faith in the untrammelled benefits of competition . . . The public will get benefits, all right, by regaining the opportunities offered by six-day countries overseas, but will lose subtle benefits that those countries have never enjoyed . . . We are concerned that some of the politicians who see the way ahead most clearly are those with the shortest sight."

The Christchurch Star said, "Freedom of choice is coming back . . . If the opening of a shop on Saturday is exploitation of the unfortuante workers employed in it, why does the same not apply to a hotel."

The Wellington Evening Post observed that the legislation "will undoubtedly lessen the dull image that the typical New Zealand weekend presents to the tourists–and there can be few more dismal examples of this than central Wellington?" The New Zealand Herald said, "It seems to be one of those all-too-rare occasions when New Zealanders have been given real freedom of choice and the customer can reign as king."

RThought: I have conveyed to the Retailers' Federation the practice that Lucky Stores have followed in their GEMCO/MEMCO outlets (well past $1 billion in sales) of being closed Monday without apparent injury to their customers or their employees–and opening Tuesday to Sunday. I doubt that anything as practical as a Monday closing will come forward as New Zealand retailers concentrate on just one question–whether to be open Saturday or not.

RThought: If you had the same choice facing you today, which would you select?

A DISCUSSION OF EQUAL CREDIT OPPORTUNITY

Retail credit grantors are not the only ones who are concerned about the application of the Equal Credit Opportunity Act. Just as concerned are the small loan and personal finance companies.

The Conference on Personal Finance Law publishes **Quarterly Report**; and in the Summer (already distributed)

GUESS WHAT EVERYONE HAS DISCOVERED? DISCOUNTING! AGAIN!

In the 1880s, something wonderful came on the retailing scene in the United States and France and England. No one knows who was first with the great idea of putting a lot of specialty stores together in one building. Each specialty store would be treated as a department in the big store. And so it was called a department store.

Many credit Gimbel's in Vincennes, Indiana, or The Bon Marche in Paris with being the first department store. Hudsons and John Wanamaker's added departments to their men's store; Frederick and Nelson added to their furniture store; Capwell's added to their lace house.

In those days, specialty stores offered credit, carried complete and slowly turning inventories, and had full service. The department stores came in as cut price operators–assortments were narrower and inventory turned faster. Most did not offer credit.

And they set their markup by what would today be called an "incremental analysis"–the extra cost of adding a department against the additional volume that would be generated.

Figures and comparisons from early days are few in number–and relatively worthless because everyone figured things like gross margin differently (it took the National Dry Goods Association and the Retail Research Association, the predecessor to Associated Merchandising Corporation, to bring standardization and rigidity into the retail structure).

But Emil Zola did a study of early department stores in Paris and reported that, when specialty stores got a 40% gross margin with a two-time inventory turn, department stores operated on a 20% gross margin (10% payroll, 5% other expenses, 5% profit and no tax on profits) and more than a four-time turn–all sold for cash.

In 1895, the Specialty Store Association of America, now long gone, petitioned Congress to outlaw department stores as monopolies. They argued that department stores could cut prices in one department and force all competing specialty stores out of business while carrying the losing department with their other departments. As a secondary argument, they claimed that department stores required such great amounts of capital that they would deny American youth the opportunity to go into business for themselves. Congress, fortunately, adjourned without taking action.

If department stores were such price cutters, how come they were so severely impacted by discount stores in the 1950s and since then? The answer is simple–their expenses kept increasing until they were almost as high as specialty stores. Department stores added credit, expanded their assortment, built fancier castles and added in-store services.

Let us follow a case of three competitors developing in a community. For simplicity's sake, let's call them discount stores and name them Able, Baker and Charlie. Let's see what happens as competition develops. Able Discounter opened in an out-of-the-way plant at very low cost. He bought some fixtures at a cheap price from a bankrupt department store. Able Discounter opened with a gross margin of 20%, paid only 1% of sales for occupancy and had a firm policy not to spend more than 1% for advertising (remember when that was a cardinal rule of discounting?). Able Discounter set the world on fire. Almost instantly he hit $100 a square foot and was doing more volume than most of the department store branches in his town.

Able Discounter credited all of this success to his great skills as a merchant–picking exactly what the people want. And keeping rent and advertising at 1%. He totally disregarded the fantastic amount of free word-of-mouth advertising that he got as everyone told a friend about the wonderful bargains they had at Able Discounter.

Guess what? Mr. Baker felt that Able never did know anything about merchandising and decided that he could do a better job. He got a group of backers and announced the opening of an even larger store–Baker Discounters. But Mr. Baker had a problem with how he would compete. If he cut his gross margin to 19%, nobody would be able to tell the difference. But if he spent 2% on advertising, everyone would be able to tell the difference–immediately. And so he structured his store on a 20% gross margin, 1% occupancy and 2% advertising. The people flocked to Baker Discounters, and they told their friends about the things that Baker had that Able didn't even mention.

By now, Mr. Charlie was disgusted that two such incompetent merchants as Mr. Able and Mr. Baker could be doing all that business, and he decided to show them how a real merchant operates. With his backers, he opened Mr. Charlie, The Master Discounter. And he announced that he would have the most beautiful discount store in America (he might even call it Medallion and decide to compete with Neiman-Marcus!). He knew that a 19% gross margin wouldn't bring in customers, and he figured that 3% for advertising wouldn't be productive, so he put 2% into occupancy expenses. A drop ceiling. Asphalt tile floor instead of a polished cement floor. Even carpeting in the ladies departments. Chrome plated uprights on the fixtures instead of painted metal.

And Mr. Charlie drew a lot of people.

But what was happening at Able Discounter? He was starting to hurt. Volume was level or declining, and good old inflation was impacting him. He suddenly learned that people wouldn't wait in long lines at the checkout. He had to have more clerks and give better service. And the first thing he did was increase his advertising–to 2%. That put Baker Discounters on the spot–and the next thing you know, Baker was painting the interior of the store, trying to hide the naked rafters, and even putting down an asphalt tile floor.

And then what happened? The gross margin started to grow to 21% and even 22%.

Was this done because discounters wanted to abandon their low cost distribution method? Not at all. They were caught in the game of the illogical customer who insisted on responding to **non-price** competition while convincing herself or himself that she or he was a frugal shopper because she or he was patronizing a discount store!

Almost without exception, discount gross margins are rising. And discounters are playing the game of non-price competition–upgrading fixtures, race track layouts, better lighting, carpeting. Most added bank credit cards long ago. More emphasis is being placed on high markup private label goods, plus an increased percentage of sales in apparel with a higher percentage gross margin (although often at fewer gross margin dollars per square foot or per dollar of inventory).

In my talks over the past decade, I have pointed out that the time is near when some bright guy will find a cheap empty warehouse, have a chance to buy the fixtures from a bankrupt Korvette or J. M. Field, and have the opportunity to buy overruns and seconds from many fine manufacturers.

He is ready to go into business—and he has several cardinal principles. He won't spend more than 1% on occupancy and never will he spend more than 1% on advertising. He figures all he needs is a 20% gross margin. His only problem is—what to call the store. We already have department stores and discount stores.

So what is happening today?

We saw the development of Hit or Miss, Pic-A-Dilly, Marshalls, T. J. Maxx and other rapidly expanded chains based on overruns and seconds. In the hard goods or variety field, there is Pic-N-Save in Los Angeles. But everyone forgets that Uncle John's Bargain Stores went broke some years ago when they discovered that if they grew faster than their available sources of merchandise (which the stock market forced them to do), they had to start taking regular merchandise and selling it at low prices. Or they used phony price comparisons. In either case, customers eventually got wise, sales started to drop, and now Uncle John is only a name on a bankruptcy court file.

In the meantime, back at the factory, all the people who were selling apparel to off-price specialty chains figured that they ought to be making the money all those promoters were making with the "concept" chains; and they started to open their own chain of outlet stores.

Most of the manufacturers forget that years ago Cannon learned about the limits of off-price merchandise. When Cannon customers demanded more seconds and imperfects than were the normal result of manufacturing (because Cannon, as any manufacturer would, kept trying to avoid producing seconds and imperfects), Cannon had to meet the demand from their "good customers" by stamping perfect goods as "IMPERFECT" and selling them at a lower price.

The International Council of Shopping Centers (ICSC) is keeping track of factory outlet centers, and suddenly dozens of new "soon to be opened" outlet centers are announced. **Shopping Centers Today**, according to the Menswear Retailers of America, says over 150 developers have such plans in the works.

ICSC reports that rents are in the $5-$8 range, locations are out-of-the-way, buildings are simpler and the center has to advertise as a tourist attraction.

Marketing reports indicate that people come from fantastic distances to shop at these great savings centers.

A buying office reports that some of the finest names in the country are buying his specially-packaged off-price promotions. As he says in his letter, "We are not talking about broken sizes and little known brands or damaged goods." Men's wear stores are concerned about how many outlets Philips-Van Heusen will open—and where.

In the food field, Safeway is introducing the name of a chain that gave them problems in Australia—Food Barn—as their box store operation. Safeway is trying to get back volume lost from being a high price store in most markets. Safeway has a problem going discount; in many trading areas, their stores are only a couple of miles apart. Going discount with all of them as Lucky Stores did, won't work because there are not enough competitors in between Safeway stores from which to drain volume. Lucky, which had their stores further apart, could change all to discount and drain from the 4 or 5 Safeways and 2 or 3 other chain stores located between Lucky Discount Centers.

And what about the economics?

This round of discounting won't be any different than occurred between Mr. Able, Mr. Baker and Mr. Charlie; or between department stores and specialty stores.

The first stores into the field will pull some incremental volume and will be able to do it without a proportionate increase in expenses. But when that volume comes around the following year, the people will be planned for regular volume and not incremental volume; and an even larger staff will be institutionalized. This is partially true because other stores will be offering the same type of goods and more service will be necessary to get customers to buy. Thus the same sales volume becomes less profitable.

We should remember several cardinal truths. First, there isn't enough off-price merchandise to fill demand so retailers and manufacturers will start "generating it." All too often this will be done by raising the comparison price. This works for a while—but no one has ever done it for a long time. Sometimes such untrue comparisons damage an old name, like Roos/Atkins, to the point where no one wants to buy the chain.

And when this cycle reaches its peak, some fine old store will suddenly announce that they are going to carry only first quality merchandise—just like they used to do. All the customers of the other fine old stores will flock to our restored traditional store because they are tired of aisle after aisle of closeouts where they used to find fresh, new merchandise.

Yes, Professor McNair, the wheel keeps turning just like you always said it did.

SHORT SHORTS

Stanford Graduate School of Business is now rated No. 1, and there were 13.5 applicants for each admission. But the Stanford Law School, rated No. 2, had 21.4 applicants for each admission; and the Stanford Medical School, rated No. 3, had 48.6 applicants!

Sears tempts fate—mails statements on August 25 with payment due by September 13. Is this a gamble between increasing average balances for finance charges and losing all finance charges? RT recommends that bills be mailed promptly, and most firms do much better than 12 days.

Is there a lesson here for retailers? Western Bancorporation was once part of Bank of Italy—which became Bank of America. Today it is one of the largest bank holding companies with 21 banks in 11 western states. The parent will become First Interstate Bankcorp, and each of the subsidiaries will adopt a similar name. United California Bank will become First Interstate Bank of California; First National Bank of Nevada will become First Interstate Bank of Nevada and so forth. Is there a clue here for Federated, Allied, Mercantile, even Carter Hawley Hale and Associated Dry Goods? Belk led the way years ago.

and Fall 1980 issues, they are reporting on talks/papers given at their Symposium on ECOA. The Summer issue has articles dealing with the problem of litigating cases, handling and evaluating elderly applicants and, of particular interest, "Credit Scoring Systems and Regulation B: The Sleeping Giant of ECOA Enforcement."

I strongly recommend **Quarterly Report** (Conference on Personal Finance Law, 111 Broadway, New York, NY 10006, $5.00/year–ask to start with Summer 1980 or $4.00 for the Summer issue alone) to those in credit concerned about the technical application of laws and regulations affecting credit granting.

A MIRACLE IN YOUR WALLET

Look at the magnetic strip on the back of a credit card. The widest of these strips can store 1,700 bits of data. There is talk about including a semiconductor chip (referred to as a microcomputer-in-a-card) that will store 10,000 bits of information.

The Nilson Report, Issue 244 (Box 49936, Los Angeles, CA 90049, $215/year) reports laser encoding on the Drexon Strip (the same size as the present strip) 1.2 million bits of information!

Such capacity would permit the reconstruction of sample signatures, or even pictures, and still leave adequate capacity for all other information that might be required as part of the account. Certain sections of the strip would be reserved for data that was subject to change or which should be updated in the process of use.

The technology is very new. Sample material is available (for $2,000) for companies that want to experiment with it. SRI International is working on demonstration terminals which they estimate will cost about $300 for a read-only terminal and $1,000 for a read-write terminal.

It is estimated that cards with a Drexon strip would cost about 50¢ each, compared with 10¢ for present mag strip cards and $5 to $10 for cards with a chip.

AVIS PROVES THEY ARE NUMBER 2

Certainly a company that was rated #1 wouldn't act as Avis did recently. On August 20, the Oakland (California) zone manager sent to a supplier (presumably all suppliers got the same letter) a wonderful choice. In the future, Avis would take a 2% discount on invoices paid within 14 days of receipt; or pay net in 30 to 60 days after receipt. I didn't know that Avis was on the verge of bankruptcy; this is the typical request of a company fighting to avoid running out of funds.

And can you imagine starting such a letter with the sentence, "In this day of extraordinary interest rates, Avis is proud of its reputation for prompt payment."(!)

MACY'S PORNO PUBLICATIONS

Recently, Macy's California sent out, not in a plain paper wrapping, a 36-page booklet entitled "Body Makeup." Only 4 pages were devoted to body makeup, with the bulk of the balance devoted to suggestive poses in intimate apparel.

The pages on intimate apparel took me back to my days in Boston, before World War II, and Boston's famous burlesque house, The Old Howard. Most proper male Bostonians, all of whom visited The Old Howard at one time or another in strictly stag groups, rationalized (up to 1935) their visits on the chance of running into Chief Justice Oliver Wendell Holmes, who was reported to view the shows regularly when not doing his duty in Washington. Since Judge Holmes had passed away when I was there, I went just to be with blue blood Bostonians.

The reason The Old Howard came to mind was that in between wonderful humor and skits by Olson and Johnson the girls would come on the stage dressed in a bra, panties and high heel shoes. They looked just like the models in Macy's magazine. The next step, at The Old Howard at least, was two pasties, a G-string and high heel shoes. I checked all the pages in the Macy's porno booklet, but it seems that they were just teasing. Still, however, wearing their high heel shoes as they lounged in a bra and panties.

RThought: Truth-in-Lending doesn't require a store to disclose the kind of ads they will send you when you apply for an account.

CHECKING THE CENSUS FORECASTS

The Bureau of Census is now reporting on the accuracy of past population projections.

The Bureau normally makes forecasts on three levels. Unfortunately, most media and many businesses assume that the highest estimate of future population is the most likely figure.

Recently, the Current Population Series (P-25, No. 889 issued August 1980) compared the July 1, 1979 population with that projected for July 1, 1980 on the basis of the July 1, 1976 population. Series I (the highest) assumed a 2.7 lifetime birth rate per woman; Series II assumed 2.1 (the level required for zero poulation growth); and Series III assumed 1.7. Slightly different figures were assumed in each series for the death rate, and a single figure was assumed for immigration.

Here are the results:

1. Immigration: the single projection was 1,200,000 and the actual was 1,196,000–pretty darned good; in fact, perfect.
2. The deaths were projected from 5,971,000 (Series I) to 5,939,000 (Series III), and the actual was 3% to 4% below the estimates–at 5,715,000. Considering that death can only come to people who are alive, and death rates vary only slightly, this cumulative error appears large.
3. The actual number of births during the three years was 9.960,000, about 1% off the projection based on 2.1 children per woman or zero population growth. The table below shows all four figures:

SERIES	BIRTHS
Series I (2.7)	11,148.000
Series II (2.1)	9,867,000
Series III (1.7)	8,942,000
Actual	9,960,000

RThought: Immigration figures since July 1, 1979 are substantially above the level forecast during the three-year period studied.

HIGHER INTEREST RATES– DID WE DO IT TO OURSELVES?

Boardroom Reports (500 5th Avenue, New York, NY 10010, $39/year) in their August 25, 1980 issue reported, "The big change: Interest paid out by money-center banks now claims more than 75% of their gross interest income. In 1960, interest expense was 18% of interest income."

The reason for higher interest costs to banks is that depositors are leaving less and less of their money in the bank—and banks are having to "buy" money through high-cost certificates of deposit. Just like a retailer, banks have to add a gross margin on top of that high cost before lending it out—so that they can make a profit on the money bought.

In 1960, prime was about 4% and so, with interest cost running 19% of interest income, most of the money loaned by banks on commercial loans was coming from commercial deposits that did not bear interest.

Even in 1960 there were those treasurers of retail (and other) firms who were entranced with opportunities to pick up interest income on idle bank deposits. I can recall the talks by Walter Kaplan, long-time treasurer (like 40 years!) of Emporium-Capwell, explaining how he picked up $20,000 or $40,000 a year lending money over the weekends.

He found a great deal of satisfaction in doing this. It certainly impressed the management of his company. And it brought in a lot more money than raising the price on pay toilets to 10¢, another source of "miscellaneous income."

But what was the long-run result of making this money?

Pretty soon the banks didn't have enough money on hand to lend to borrowers, including Emporium-Capwell, so banks had to "buy" money. As they bid for money, which they formerly got for nothing, more and more treasurers convinced themselves that they ought to take the excess deposits out of the bank and earn something on it. The business schools got the idea—and without ever explaining that you can't have a growing economy with banks that don't have any money, they made it the prime law of an MBA—"Never leave idle funds in a bank."

Now the picture is becoming clear. If E & C stores don't leave money in the bank, then there is no money for F & D stores to borrow; and vice versa.

It looks like we will never get back to the 1960s. So it looks like banks are going to have to continue to bid, by paying high interest costs, to get money to lend—and then will add their markup on top of their cost.

Thus **Boardroom Reports** concludes, with complete logic, that during the 1980s bank loans are going to be more expensive and rates will be more volatile.

COMMERCIAL BRIBERY

Has Sheraton Hotels bribed your secretary? Professor Robert W. Johnson, Director of the Credit Research Center at Purdue, forwarded the form his secretary received from the Sheraton Inn in West Lafayette, Indiana, telling her she had been credited with 5 points for sending people to the Sheraton Inn from the Krannert School. At one point for one room for one night, it takes 20 points for his secretary to get two lunches at Don the Beachcomber Restaurant; and for 40 points, she can get a Tropical Week-End (in Indiana?) for two. Note: the Krannert School is suggesting other places to stay.

FaberCastell: If you carry their line of pens, markers, highlighters, glue sticks and pencil lead, you may be treating your stationery or supplies buyer to such fringe benefits as a Hamilton Beach Electronic Food Processor (suggested list $159.95) or a 34-piece Stanley Homeowners tool set (suggested list $239.95)! Their ad, which will appear in many trade magazines (first spotted in The College Store Journal), carefully provides a place to which the prize(s) should shipped—and FaberCastell apparently doesn't intend to s the prize to the company that paid for the merchandise. Thus they knowingly intend to bribe your employees.

SHORT SHORTS

When is K mart discount department store not a department store? When they want to get into Tracy, California. The 1979 K mart annual report says, "We have always described the K mart discount **department** store as a store for middle income, home-owning, younger-to-middle age consumers." There are enough of those people in Tracy—but Tracy city fathers say that **department** stores have to go downtown. So the developer hired a consultant who argued that a 100,000 sq. ft. K mart was a variety store! And the planning committee believed him!

Is anything confidential in retail trade associations? I consider myself fortunate that Barry Purdy, Executive Director of the New Zealand Retailers' Federation, as a result of our correspondence, includes me on the mailing list of "Confidential to Members" (there are 5,000) notes. I chuckled when I read, "Perhaps I should also draw the attention of members that these Notes are intended to be and are entitled **"CONFIDENTIAL"** and request the member who delivered a copy of the last issue so promptly to the Shop Assistants' Union to at least give us a couple of days' grace this time."

Nursery business blooms for Woolworth. They announced 4 new 35,000 square foot lots with 8,600 square foot buildings in the Sacramento area—all in one week!

How to make yourself look stupid? Trust your advertising t computer, as Airborne Freight Corporation did recently. The yellow-paper Air-Gram considered me a customer (I am not); and in personalizing the third paragraph stated: "That's great news for companies like Kahn Robert I . . ." Are you doing the same thing with your customers?

LIFO? FIFO Who pays the taxes? Dale Feet of Price Waterhouse reported that he talked at the NRMA Financial Executives Conference in Houston on "Return on Investment, Market Share and Inflation." He learned that half of the stores present were still on FIFO—and thanked them for paying part of his taxes. There is no reason why any **privately held** retailer should still be on FIFO unless they have other shelters for their income—or are in a continuing inventory reduction mode. A publicly held company may still be on FIFO because the market still doesn't recognize the qualitative difference in LIFO vs. FIFO earnings. If the market rates you with a price/earnings ratio of 6, it will tend to apply it to either the higher FIFO earnings or the lower LIFO earnings.

WORDS FROM GANDHI

Mahatma Gandhi set forth 7 sins that we could all think about:

1. To have wealth without work.
2. To have pleasure without conscience.
3. To acquire knowledge without character.
4. To undertake commerce without morality.
5. To use science without humanity.
6. To worship without sacrifice.
7. To practice politics without principle.

RETAILING TODAY

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ROUTE TO

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SADNESS AT THE UNKNOWN RETAIL GIANT

At press time, we learned of the death on November 2 of Jim Newgent, President and CEO of TG&Y. Jim had suffered greatly in recent months from cancer, but few of his many friends in the retail field knew of this.

Together Jim and TG&Y were the least well known of the $2 billion retailers, despite their 1,000 general merchandise and discount stores.

After release from the Army Air Corps in 1946, Jim spent 6 months with Kress before moving to TG&Y because they offered an organized training program and twice as much money. There he studied under one of the founders, R. A. Young, and had frequent contact with another, Les Gosseline. As assistant manager at a time when the stores were open from 9 to 9 six days a week, he was in at 8 every morning to see that the windows were washed and the sidewalk swept before store opening–a step in training that is missing today from the careers of most professional retail executives.

There he learned that it was not how hard you worked but what you accomplished–and some 16 years later, he had shown such great ability to get things done that he was sent to spread TG&Y throughout California. From 1962 to 1967, using a staff he developed but relying only on Ben Franklin items, TG&Y was developed. By 1971, there were 130 stores with their own distribution center.

In January 1972, Jim became Executive Vice President–as TG&Y entered its first billion dollar year. In January 1978, he became President and CEO and laid plans to reach $3 billion by 1983.

Although TG&Y was acquired by Butler Brothers (Ben Franklin stores) in 1957, which was acquired by City Products in 1960, which, in turn was acquired by Household Finance in 1966, it was always run by its own people, virtually all trained within the organization.

From the heart of America, born in Amarillo, raised in Arkansas and with one Oklahoma company for 34 years, Jim Newgent left his mark on a major retail organization and left his friendship with thousands of fellow workers.

SUPPORTING CONSUMER EDUCATION WEEK

The Office of Consumer Affairs was right–retailers don't care about the consumers. That may seem strange–but the facts support the conclusion.

During Consumer Education Week (October 5-12), I read newspapers in Dallas, Fort Worth, Los Angeles, Santa Barbara and San Diego plus the San Francisco, Oakland and Contra

THERE MUST BE A BETTER WAY

Do you honestly believe that in a country of 220 million people the three best qualified to be President were Jimmy Carter, Ronald Reagan and John Anderson?

This is being written before the election and is not related to the results. Except I am certain that for the next four years the United States will **not** be led by the best qualified person. We will all suffer because of that–and the world may suffer with us.

How did we get here? By making the kind of mistakes that are as common in business as they are in the body politic. We thought that part of our system wasn't working so we switched to another system that the experts said would be an improvement.

In the 1960s, political activism by educated, fluent young people increased. President John Kennedy posed the question, "Ask not what my country has done for me." In 1968, Senator Eugene McCarthy led the Children's Crusade that caused President Johnson to withdraw. This culminated in a reaction against "smoke filled rooms" and "favorite sons" in each party controlling the selection of the candidate. The solution advocated–and approved–was the increased use of primary elections. The hoped-for enlarged participation was negated by stretching the process out to almost a year–starting with the Iowa caucuses in January.

This meant 18 to 24 months of campaigning. Congressman Philip Crane started 2 years before the 1980 Presidential election.

We created an ordeal that fully qualified individuals refused to undergo. Physical durability (which has little connection with intelligence) and available time and money (which has little connection with leadership) became the prime qualifications to be President. A sorry state of affairs. Would George Washington or Abraham Lincoln have undergone the process? I doubt it. Could Franklin D. Roosevelt have physically endured it? I doubt it.

RThought: What is the solution? Should we return to caucuses and conventions? I think not. It is time for the Federal government to control its own election. Just as it set age and residency requirements for the Federal Elections, the Federal government should set the primary dates–which would all fall in August. The first Tuesday would be in New England and the mid-Atlantic States; the second Tuesday in the South; the third Tuesday in the Central States and the fourth Tuesday in the West. Televised debates involving candidates showing 5% or higher in competent polls would be held Thursday night before each primary. The National conventions would be held the last two weeks in September. The election would come as now, allowing five full weeks for campaigning. George Washington might have done that; Franklin Roosevelt could have endured it.

Let us try to make the primary system work before throwing it out. We may find a way to bring before the American people well qualified candidates–not just some more Jimmy Carters, Ronald Reagans and John Andersons.

RThought: Brickman in his comic strip "Small Society" had his character saying, "Hoo-Boy. If you're smart enough to be President–you're too smart to be President."

Costa County papers. I found just one reference to Consumer Week–just one in all those days and all those cities. It was in a Safeway ad on October 6, 1980 in the Dallas Times Herald–a 1 column 5" box that read:

> NATIONAL CONSUMER EDUCATION WEEK
> Beginning October 5, 1980
> As President Jimmy Carter proclaimed on April 9th, "For our economy to work best for our people, all of us must have the information and knowledge we need to make intelligent decisions as consumers."

RThought: Safeway's efforts were neutralized in the same paper by Minyard, "Your Home Town Grocer," who celebrated National Macaroni Week for the same dates.

ARE PEOPLE MOVING INTO THE CITIES? ARE PEOPLE MOVING OUT OF THE CITIES? WHICH IS RIGHT?

Today, when the impact of the high cost of energy on where customers will live is not clear, stores still must make decisions on how to grow within expanding metropolitan areas or how to increase their market share in non-growing areas.

RT has previously expressed the view that movement back into central cities is more likely to be related to the concern about the availability of gasoline than about the price of gasoline. It will take a generation or more before heads of households are people raised in a society with less emphasis on automobile mobility than the present background of the 30-59 year old group in the United States.

Our first energy crisis came in 1973. The Bureau of the Census has just released a report (Current Population Reports, Population Characteristics Series P-20 #353 "Geographic Mobility") that looks at population mobility roughly before and after that date (actually, it compares 1970-74 with 1975-79).

Now let's answer the questions in the title of this article. People are moving into central cities in great numbers–and they are moving out in even greater numbers.

Between the two periods, the number of who moved **into** metropolitan areas increased from 4,121,000 to 5,171,000–up 25%. The number who moved out increased by 12%–from 5,965,000 to 6,691,000. The net result was a decline of 1,520,000 in the metropolitan areas during 1975-79, a decrease of 18% from the decline experienced in 1970-74 (one must keep in mind that declines in population cannot keep getting larger unless we assume that there could be a minus population in the metropolitan areas).

What happened **within** metropolitan areas? The movement into the central cities increased by 13%–from 5,492,000 to 6,199,000. The number of these that came from the suburbs increased by 8%–from 3,859,000 to 4,162,000–proving that people are moving back. The number coming from outside the metropolitan areas increased by 25%–from 1,633,000 to 2,307,000.

In the meantime, the number moving **out** of the central cities increased by 5% from 11,381,000 to 12,000,000. However, there was an increase of 5% in the number **moving to** the suburbs–from 8,509,000 to 8,906,000 while there was an 8% increase in the number quitting the metropolitan areas for smaller communities–up from 2,872,000 to 3,094,000.

The suburbs had a 6% increase in the net number of people moving **in**–from 4,045,000 to 4,280,000, consisting of a 9% increase in people moving in (the 5% increase mentioned above moving from the central city plus a 26% increase in people moving from outside the central city directly to the suburbs–up from 2,480,000 to 3,133,000).

This was partially offset by a 12% increase in the number moving **out** of suburbs (from 6,952,000 to 7,759,000) of which, as reported above, there was an 8% increase in people moving into the central city and a 16% increase in those moving from the suburbs to a place outside the metropolitan area.

A good part of the move from central city to suburbs reflects movement of blacks to suburbs, despite the declining rate of net migration of blacks into metropolitan areas.

Looking at total movement, without regard to the metropolitan area/central city/non-suburb distribution, age and education are the best predictors of movement.

51% of children aged 5 to 9 moved during the 1975-79 period, 63% of those between 20 and 24 and 72% of those between 25 and 29. This compares with only 21% in the 55-64 age group, 18% in the 65-74 group and 16% in the 75+ group (the latter three figures exclude institutionalized people).

Education also bears on movement. Only 26% of people with 8 years or less of education moved in 1975-79 compared with 48% for those with some college education, with the latter being the most likely to move back to the central cities.

Finally the net migration out of the Northeast increased by 15% and out of the North Central area by 27% while the net migration into the South increased by 1% and to the West by 55%.

CANADIAN RETAIL LEADERSHIP IS MUCH BETTER THAN U.S. LEADERSHIP

The Retail Council of Canada, supported by the vendors and the Financial Times of Canada, recently put on a two-day conference (cost: $250 to members, $325 to non-members) on "Partners for Progress: the retailer/supplier relationship." The description of the conference said:

> "A major two-day conference investigating in depth the ways in which retailers and suppliers, through greater co-operation and better communications, can improve the efficiency and profitability of the functions of marketing, buying, and physical distribution for both parties."

After dealing with the subjects of the relationship, joint planning for profit, management information: a tool, distribution: a better way and managing your assets, the conference considers "the ethics of the relationship" which is summarized as, "This is the issue in control of the whole buy-sell

IS 100% OWNERSHIP 100% RIGHT?

The problem that many major corporations face is how to develop and retain entrepreneurial management to run their diverse operating units. Often top management from such units will leave to form their own company with the hopes of going public and enjoying the fruits of their effort through the appreciation of market value of stock faster than the growth of book value. They cannot gain the same benefit through stock options in a massive conglomerate whose stock price responds only slightly to the dramatic improvements of a relatively minor subsidiary.

These same entrepreneurial types watch with great envy the dramatic returns on creative effort obtained by the founders of successful electronics and technology companies. Although it is likely that the market will not respond as dramatically to the equally rapid growth and success of a retailing company as it will to a computer company, there still are many stories of dramatic success in the retail field—such as The Limited Stores, Mervyn's, Miller-Wohl, Wal-Mart, Longs Drugs, or Petrie Stores.

We tend to forget that many outstanding retail companies are hidden in the bowels of successful major companies. Some of the dramatic successes that come to mind are the development of TG&Y, a subsidiary of City Products which is, itself, a subsidiary of Household Finance; Herman's Sporting Goods and the do-it-yourself groups within W. R. Grace; Eddie Bauer, LeeWards and The Talbots as part of General Mills; Pacific Stereo which is hidden within CBS; Western Auto Supply within Beneficial Finance; and the many small divisions within retail conglomerates such as Melville, Lucky Stores, or Jewel Companies.

If the parent company would reduce their holdings to something closer to 80% by selling off up to 20%, they could accomplish a number of very beneficial things. First, they could, in some cases, raise as much money as the carrying value of the subsidiary; and these funds would be available for more expansion. Second, the market price of the stock would reflect the performance of that subsidiary rather than the parent company. Some of the subsidiaries cited above have had dramatic growth that has not been generally recognized. Third, it would offer the opportunity to use stock options, phantom stock and other management incentive methods so that the key executives would benefit more directly from their contributions to their particular subsidiary. Fourth, owning more than 80% of the stock would still permit filing consolidated tax returns and would permit the parent, in its annual report, to continue to include **all** of the sales of the subsidiary in the reported volume.

Most companies, in making structural changes, seek what is called a "win-win" solution. This appears to be a "triple-win" situation.

The parent company will probably be valued higher because separately traded subsidiary stock will be reflected by financial analysts in the parent company value.

RThought: One should not consider as precedent the manner in which Meshulam Riklis manipulated the control of some retail operations (such as Lerner Stores and McCrory as parts of his Rapid-American group) since such manipulation was not for the purposes outlined herein but for the benefit of the controlling stockholders in Rapid-American (an entirely legal reason).

At the present time, W. R. Grace is reportedly studying the idea of splitting their company into several operating divisions on the theory that each division would be recognized as a purer form of enterprise and would earn its own market valuation based on its own performance in comparison to companies in its own industry. Part of this would be the result of better coverage by financial analysts who tend not to follow conglomerates. This may solve one of the problems of the stockholders in W. R. Grace, but it does not solve the problem of providing an incentive to management. The suggestion of 80%+ ownership is not incompatible with the concept of dividing W. R. Grace into three parts. For example, if W. R. Grace formed a retail company, they still might want to own only 80% of each of the individual retail operations.

What Tandy Corporation has done with the spin-offs (Tandy Brands, Tandycraft, Color Tile and Stafford-Lowden) shows how values can be increased through spin-offs. Each separate company now has the ability to provide stock incentives of middle management.

SHORT SHORTS

"Cap" Patterson would roll over in his grave! The NCR "All New Catalog" proclaims "NCR's Silent Electronic Cash Register." The original principles set down by "Cap" Patterson that made mass merchandising possible were (1) keep a clear space around the register (2) ring before wrapping (3) an indicator (even before an internal register tape) to show the amount of sale and (4) a bell that rang when the register opened! The proprietor could then look at the register, see that there was a customer, see the merchandise that was purchased sitting unwrapped on the counter and read the amount indicated on the register. If everything was O.K., he could go about his business. I guess the old motto used to be, "Register noise up, cash shortages down."

Disenchant in your future? Inside Retailing, Australia's informative weekly newsletter, reports that World Trade Promotions cancelled their Womenswear Winter Fair because of the "general disenchant with winter."(!)

Forget kiting through tiny remote banks, says Coopers & Lybrand's Joseph Bonocore in the **C & L Newsletter**. The Federal Reserve plans to phase out "free" float by 1982. Bonocore estimates that this will cost U.S. industry $1 billion in profits! (RT note: "kiting" is the intentional issuance of a check knowing that funds are not deposited at the bank on which drawn at the time the check is placed in circulation, and in many states, is a criminal offense. The fact that recipients of checks do not file complaints with the district attorney does not change the criminal nature nor does the intent of the payor to cover the check change the legal status of the act.)

Making a virtue of closing Sunday. Publix, celebrating their 50th year, headlines **"This Sunday over 24,000 Publix employees won't be driving to work,"** followed by, "They'll be spending the day resting and relaxing with their families, because Publix is closed on Sunday. It not only gives our employees more energy to serve you during the week, it helps us do our part for energy conservation, too."

A STATISTICAL SUPPLEMENT

CREDIT OFFICE RATING

The HONOR ROLL continues to grow—up from 9 for June-July to 11 for August-September. This may be the result of getting ready for the Christmas rush—or it may be concern about cash flow as interest rates again rise. The average performance reported by individual reporters is down from 7.1 days for June-July to 5.9 days for August-September, while reporting stores show an improvement from 3.9 days to 3.6 days.

HONOR ROLL

Liberty House	2.5	Gimbel's	3.5
Rubenstein's	2.8	Macy's N. CA	3.8
Bullocks S. CA	3.0	B. Altman	4.0
Macy's NYC	3.0	Bloomingdale's	4.0
I. Magnin	3.0	Levy Bros.	4.0
Mervyn's	3.1		

CREDIT OFFICE RATING

	AUG.-SEPT. 1980			JUNE-JULY 1980		
Information From Reporters	No. of Reports	Days to Bill Average	Range	No. of Reports	Days to Bill Average	Range
B. Altman (NY)	1	4.0	4	3	4.3	4-5
Bloomingdale's (NY)	2	4.0	4	1	4.0	4
Bonwit Teller (NY)	1	7.0	7	1	9.0	9
The Broadway (S. CA)	1	8.0	8	--	--	--
Brooks Bros. (NY)	1	5.0	5	2	5.0	4-6
Buffum's (S. CA)	1	8.0	8	1	5.0	5
Bullock's (S. CA)	1	3.0	3	2	5.5	4-7
Bullock's (N. CA)	4	6.0	5-7	5	8.2	5-12
Capwell's (N. CA)	5	6.6	6-7	7	5.0	4-7
Nan Duskin (Philadelphia)	1	14.0	14	1	13.0	13
Emporium (N. CA)	2	6.5	6-7	2	6.5	6-7
Foley's (Houston)	2	8.0	7-9	2	8.5	8-9
Grodin's (N. CA)	2	5.5	5-6	1	4.0	4
Liberty House (N. CA)	2	2.5	2-3	3	2.7	2-3
Livingston Bros. (N. CA)	3	9.0	9	3	5.0	5
Macy's (NY)	1	3.0	3	--	--	--
Macy's (N. CA)	4	3.8	3-4	6	4.0	4
I. Magnin (N. CA)	6	5.7	5-6	7	9.4	8-11
J. Magnin (N. CA)	1	3.0	3	--	--	--
Penney's (S. CA)	1	6.0	6	--	--	--
Saks 5th Ave. (NY)	1	7.0	7	2	6.0	5-7
Sears (Philadelphia)	1	6.0	6	--	--	--
Weinstock's (N. CA)	2	5.0	5	2	5.5	5-6
TOTALS	**46**	**5.9**	**2-14**	**51**	**6.1**	**2-13**

	AUG.-SEPT. 1980			JUNE-JULY 1980		
Information From Stores	No. of Reports	Days to Bill Average	Range	No. of Reports	Days to Bill Average	Range
Carlisle's (Ashtabula)	2	5.5	5-6	2	6.0	6
Gimbel's (Philadelphia)	36	3.5	3-4	36	3.5	3-4
Levy Bros. (N. CA)	2	4.0	4	5	4.0	4
Mervyn's (N. CA)	25	3.1	2-5	20	3.1	3-4
Ross Stores (N. CA)	5	4.4	4-5	5	4.2	4-5
Rubenstein's (Shreveport)	6	2.8	2-5	3	2.0	2
Waldoff's (Hattiesburg)	1	10.0	10	2	10.0	10
Wineman's (S. CA)	1	5.0	5	2	5.0	5
TOTALS	**78**	**3.6**	**2-10**	**75**	**3.7**	[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.

WHY RT PUBLISHES ADDRESS AND SUBSCRIPTION COSTS: RT gets ideas from other publications and feels that readers may want to obtain the complete document. RT is always annoyed when a citation is given without an address and often spends hours tracing down the source. The publication quoted does not know that it is being cited and RT gets nothing beyond the good feeling that comes from plugging a good source for RT readers.

relationship. This capstone session has been scheduled as a combined plenary session and workshop. Following presentations of the speakers' viewpoints (2 retailers, 2 manufacturers and a consultant), the floor will be open to discussion."

RThought: There are two reasons why such a conference could not be held in the United States. One is that NRMA, as a matter of policy (and I believe personal choice by Jim Williams), is unwilling to change the unscrupulous conduct of many of their members; and the other is that many of our leading department store chains could not attend such a discussion except as hypocrites.

Lacking the ability to move to cooperation voluntarily and ethically, it appears that the change must come by use of punitive force through the Federal Trade Commission.

WHEN IS A SALE A SALE?

At RB Industries, Inc., a Los Angeles based chain of 69 specialty furniture stores, audited by Main, Hurdman and Cranstoun and certified to be in accordance with generally accepted accounting principles, a sale is reported "at the time a sale order is written, deposit received and credit approved."(!) Delivery of the merchandise in accordance with the customer specification has nothing to do with a sale–just one of those minor inconveniences of being in business. If business gets a bit slower at RB, could they create a sale when a customer with good credit says, "I'm thinking about it."(?)

I am reminded of the retailer who was interviewing new accountants. As each accountant came in, he asked them, "How much is 2 and 2?" When each replied "4," the retailer said, "Thank you very much. I will call you if you are the one we want." The one he hired is the one who replied, "What number did you have in mind?"

RThought: It is apparent that all the work done by the Financial Accounting Standards Board to bring uniformity into accounting for similar firms in the same industry is no longer important and the days of "creative accounting" are once more with us. Sears/Wards/Penney/Spiegels/Alden could all report their back ordered merchandise as sales!

THE EDITOR SPEAKS

This time the editor learned as a result of speaking–to the Shoe Associates, a group of about 25 regional non-competing shoe chains, all privately held, that meets twice a year. My subject was "Ethics in Retailing"; their subject was doing an intensive review of the operations of the host member. They split into groups, each group reviewing one part of the host firm's operations (ladies' shoes, men's shoes, children's shoes, accounting control, advertising, etc.). There is nothing more helpful to a firm than constructive review by its peers.

Earlier I met with a group of leading specialty retailers from Japan–speaking to them on the history, development and future of retailing in the United States after which I served as their guide when visiting a dozen or more leading specialty and general merchandise stores.

In early December, I will address the conference in Washington, D.C. of the National Association of Corporate Directors on "The Corporate Director's Role in Managing Change and Increasing Productivity." My subject will be "The Case for The Corporate Conscience."

IS UNITED STATES RETAILING STRUCTURED RIGHT?

We Americans . . .

Just trying to start the first sentence of this article highlights the problem we have in looking at the structure of retailing in the United States. We insist on calling ourselves "Americans" as if the area of the United States and the area of the world known as The Americas is the same. We forget that Mexicans and Canadians are also Americans–North Americans–and that there are Central Americans and South Americans. In fact, the number of Americans **not** living in the United States is much greater than the number that do.

So let me start again: Here in the United States we tend to think that everything we do is done the best way known in the world. We really don't believe that the Japanese carmakers will make more cars in 1980 than the carmakers in the United States. After all, didn't we just run off with most of the Nobel prizes like we always do?

And we tend to think that our stores are the greatest and that everyone tries to copy us; it is hard to comprehend that in much of the world a department store will do far more volume per square foot than we do.

And by the same token, we find it hard to believe that any country could structure their retail community any better than we do–with the proudly named American Retail Federation being little more than a coordinating committee of some of the specialized retail associations for the purpose of lobbying (when they can agree) in Washington.

RT has readers that are members of such diverse organizations as the National Retail Merchants Association (a grandiose choice of names that is not representative of all retail merchants–having just department stores and some women's specialty stores for members), National Mass Retailing Institute (which a person conversant with the English language would never suspect was limited to discount stores and did not include mass retailers such as supermarkets), the Association of General Merchandise Chains (which really consists of firms that used to be variety store chains with some new discount chains included), Food Marketing Institute (which is not an institute!), Menswear Retailers of America, Womenswear Retailers of America, National Association of Convenience Stores, National Association of College Stores, American Booksellers Association, National Retail Hardware Association, and on and on.

The purpose of the above listing is twofold: first, to illustrate the variety of "retail" organizations that we have and second, to point out that most members of one association have never been exposed to what is happening in other associations. In those that have magazine publications (NRMA, NRHA, for example), one seldom sees any articles about what is happening in the other associations. Why? I think because nobody knows. The members all live in their own little box (which may be even a smaller box if they also are part of a voluntary group of some kind such as Ace or Cotter Hardware, Super-Valu food stores or a member of Associated Merchandising Corporation). Yet from my exposure to a variety of associations, I see a massive duplication of creative effort. Each is trying to reinvent the wheel all by itself.

There is, of course, some overlap. I keep running into the members of the firm of Close, Martin and Schreiber at many of the conventions of these associations or hearing Howard

Davidowitz of Ernst and Whinney or someone from Management Horizons give the same talk they gave earlier to another association. In a few cases, discounters have joined NRMA (but I know of no department store chain that has joined NMRI), or women's specialty stores join NRMA as well as Womenswear Retailers.

When one looks at the inside of these associations, they see some odd situations. Suppliers are treated differently in each association–mostly like the golden cow that has to be milked. In a few organizations, such as the American Home Lighting Institute and the Institute of High Fidelity, the suppliers and retailers work as partners–just as they do in the commerce that they conduct.

And I have never, never, **never** known union officials to take part or be on programs of retail groups. Having a union official at a segmented retail industry meeting probably calls for exile of the sponsoring member (this even happens in some cases when somebody does nothing more than sponsor Bob Kahn).

Not all the world operates this way. Smaller countries can show us better ways of doing it. In Australia, the big conference is the Australian Retailers' Association (ARA) which brings together all the retailers–department store, discount store, supermarket, drug, hardware, DIY stores, apparel specialty stores and more. There are independent state associations and independent specialized associations, but the big meeting and idea exchange cuts across the total variety of stores. The same is true in New Zealand and Canada.

Australia goes even further–they always include representatives of labor. It is true that the big retailers in Australia are unionized; whereas, most in the United States (outside of the supermarket industry) are not. But whether it is cause and effect or not, the representative of the Shop, Distributive and Allied Employees' Association (the union), their national secretary Joe de Bruyn, participates in the national meetings of ARA–and participates effectively.

His presence and presentation forces retailers to think about the problems of their employees–a subject seldom discussed at American (I mean United States) conventions. Recently (Inside Retailing, 9/29/80, Box 981, Darlinghurst NSW 2010, Australia $135 [Australian]/yr.), he discussed four major concerns of employees: decreased employment with short hour people replacing full-time, unfair dismissals (they could be eased by training management in industrial relations), introduction of new technologies without coordination and consultation with representatives of the employees, and the impact of longer trading hours.

RThought: We can learn from the structure of retailing elsewhere in the world. We need more association with different types of retailers–perhaps starting on a state level. We need more input from our employees if we are to address all of the serious problems that face us. We need recognition that we should travel abroad to look at other countries as much as they travel here to look at us. Finally, we ought to recognize that we are not the greatest–others do many things as well or better than we do.

EXECUTIVE RESPONSIBILITY

There is no need to repeat here the facts involved in the matter of Bendix Corporation, President/CEO William Agee and Vice President for Corporate Development Mary Cunningham. It made the first page of most of the major newspapers in the country.

There is need, however, to observe that the fault appears to lie clearly with William Agee. The reports indicate that Agee is in the process of restructuring Bendix from a low technology to a high technology company through the redeployment of assets–the sale of some divisions and the acquisition of new divisions. Agee says that Cunningham has been extremely important in this process. He says that he and his board highly value the service rendered by Cunningham to the corporation.

If Agee were a truly qualified CEO, he would have recognized immediately that because Cunningham was young, attractive and a woman there was the likelihood that people could misinterpret why Cunningham had the position to which she was elected. One of the things that could acerbate that misunderstanding would be a close relationship between himself and Cunningham. Yet Agee became party to just such an appearance.

It is unfortunate that in most such situations it is not the facts that govern but whether the observed conduct appears to confirm the evil that many people are willing to believe (and talk about) involving others of whom they are jealous.

RThought: I was starting high school and working my first vacation at Kahn's Department Store in Oakland when my father told me, "Bob, you can date any girl from any store in town–except Kahn's." It wasn't until much later that I fully understood what he was telling me. He was saying many things: I shouldn't appear to be taking advantage of my name to gain the attention of a girl; I shouldn't put a girl in a position where she might feel that if she rejected my request for a date it might adversely affect her career; and I should not put a girl in a position where at some later time our relationship in the store might be different than two high school kids on their first job.

Note that throughout the list above, the responsibility was mine to see that something undeserved did not happen to the employee.

The matter is different only in magnitude when it involves a 40-year old president and a 29-year old vice president of a multi-billion dollar corporation. But it does not change the placement of the responsibility for insuring that problems do not develop. The responsibility rested with Agee; and the fact that Cunningham is no longer with Bendix is evidence that Agee failed in his obligation to conduct himself in a way that would assure a successful career for Cunningham.

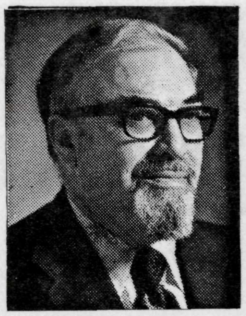
SHORT SHORTS

Retailers continue to campaign to destroy quality of sales help. The Kiplinger Washington Letter for September 5, 1980, reports on pay changes: "Retail stores will be on the low end . . . pay increases running around 8%." Office help is up 8%-10% [an alternative job for many salespeople], and others are up from 10% to 13%, including unionized employees.

WORDS FROM 1900 YEARS AGO . . .

In these days of limited or no loyalty of top executives to their company and the frequent change of top executives, we might listen to what Caius Petronius said in 65 A.D.:

> "We trained hard . . . but it seemed that every time we were beginning to form up in teams we would be re-organized . . . I was to learn later in life that we tend to meet any new situation by re-organizing; and a wonderful method it can be for creating the illusion of progress while producing confusion, inefficiency and demoralisation . . ."



RETAILING TODAY

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ROUTE TO

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DELBERT JAMES DUNCAN–1895-1980

It is with great sadness that I report the passing of Bert Duncan, one of the giants among retailing educators. His widow, Billie, sent me the following announcement that ran in the Sunday (Monterey) Peninsula Herald where he had lived in retirement during recent years.

The Sunday Peninsula Herald, Sunday, Nov. 16, 1980.

Deaths

Delbert James Duncan

Delbert James Duncan, a retired professor of marketing for the University of California at Berkeley and author of some of the major textbooks on retail management, died Saturday in Pacific Grove following a long illness. He was 85.

Born June 8, 1895, in American Fork, Utah, he was a Pacific Grove resident for several years.

He began as a retail store manager in the 1920s before becoming a professor of marketing at the University of Colorado. In the mid 1950s he was dean of the business school there.

Mr. Duncan also taught at Northwestern University and at the Harvard Business School during a 41-year career in education. He was co-author of "Marketing: Principles and Methods," and "Modern Retailing Management," two works considered definitive. He joined the Berkeley faculty in 1941 and became professor emeritus upon his retirement in 1966.

He was a member of several professional societies and fraternities, and is listed in Who's Who in America.

Survivors include his wife, Elizabeth, of Monterey; a daughter, Kaye Duncan Natale, of Denver, Colo.; a son, James Bruce, of Baltimore, Md.; a sister, Mrs. Roy (Millie) Prince, of Redwood City; and one grandchild.

Private intombment is planned at Skylawn Memorial Park in Half Moon Bay. Paul Mortuary is in charge of arrangements.

The family suggests that memorials be sent to the Delbert James Duncan Scholarship Fund at UC Berkeley's Graduate School of Business Administration, or to the donor's favorite charity.

The first edition of "Retailing: Principles and Methods," by Bert Duncan and Charles Phillips (of Harvard Business School and later Bates College) appeared in 1941 and was revised 8 times, with Stan Hollander of Michigan State joining in the later editions and being co-author of the 8th and 9th editions. In the 9th edition, in 1977 the title was changed to "Modern Retailing Management: Basic Concepts and Practices."

WHAT CAN YOU DO FOR THE WORLD–IN 1981

This is the time of year when we all look back–and hopefully, look forward. It is a time when we wish each other, as I do to you, happiness and success in the New Year. And we join with our family and friends to celebrate the holidays.

Despite the teaching of the Judeo-Christian, Moslem, Hindu, Shinto, Taoist, Confucian and Buddhist religions that we should follow the Golden Rule–it seems that fewer and fewer of the people of the world are doing so.

In a country of 225 million people–where fewer than half the number eligible to vote actually go to the polls to elect their President–it is easy to persuade yourself that your effort does not count. For those of you who feel that way, I can only quote the motto of The Christophers–"It is better to light one candle than to curse the darkness." Millions follow this wise guide.

But there are some simple rules for living that each one of us can follow to make for a better tomorrow, a better 1981.

There are two rules for a marriage. The first is never to go to bed mad. There is nothing more terrible than waking in the morning and having to remember that you are mad. Make an agreement right now that you will always make up before going to bed–one of you must apologize.

The second rule is that a marriage must be a 60-60 proposition. If you think it is just a 50-50 proposition, you will quickly find that each party's concept of where the middle is leaves a gap that cannot be bridged. But if each is willing to go a bit more than halfway–to the 60% point–then you will find a meeting place.

And for both your business and your personal life, I offer two more rules.

The first is that there are 20 ways of doing every job–5 are perfect, 10 are okay and only 5 are wrong. We spend far too much time arguing about which perfect way something should be done. Kipling wrote, "There are nine and sixty ways of constructing tribal lays, and every single one of them is right." Listen to the way the other person wants to do something; you are likely to find it is as good as your way, and it is better for him because he understands it and will do it right.

Finally, promise to spend each day the way you know you should spend it. When you put your head on the pillow each night during 1981, and think back over the day, I hope that you will be able to say to yourself, "I spent this day the way I know I should have spent it."

Tens of thousands of students studied from Bert's books. Many of them holding key positions in retailing today. Other thousands had the privilege of studying under him. Still others, of which I was one, had the pleasure of knowing him as a friend.

His contribution to retailing education will be long remembered—although it is disappointing that his peers did not honor him more in his lifetime. Today it is too late for him to savor their respect.

For those of you who knew him as a friend, or even as a student, you might like to drop a note to Mrs. Delbert J. Duncan, 200 Glenwood Circle, Park Lane No. 104, Monterey, CA 93940 and let her know what her Bert meant to you.

210 THINGS WOMEN GRIPE ABOUT

Did you read the article with this title in the August 1980 issue of Good Housekeeping? You didn't? Well, your customers did—and many probably said, as did several in reporting to me, that this summed up most of their major complaints. Here are a few samples:

29. Lack of standardized sizes (in clothing).
30. Merchandise pushed far ahead of seasons.
61. Boxes of detergents too heavy to lift.
96. Stores give credit slip instead of cash refund.
97. Lack of helpful services; clerks don't know stock.
113. Telephone calls at inconvenient hours.
174. "Portable" TVs and typewriters too heavy to carry in for repairs.

RThought: Would you like a copy of the full list? Good Housekeeping gave us permission to reprint it—and you can get a copy by sending a stamped, self-addressed No. 10 envelope to: RT–210 Gripes, P.O. Box 249, Lafayette, CA 94549.

IS THE BETTER BUSINESS BUREAU ANY BETTER THAN THE CATALOG/SHOWROOM INDUSTRY?

Years after the Catalog/Showroom industry had established themselves as a major mass merchandising industry, the Council of Better Business Bureaus (BBB) finally got around to checking the price comparisons used in the catalogs.

The comparative or "reference" prices used, and the manner of using them, is in complete violation of both the BBB and the FTC guidelines. Neither the FTC nor the BBB have seen fit to do anything to protect their own integrity with the consumer by taking action against this industry. They might have made some impact when the individual firms were small; but with firms approaching a billion dollars today, the industry can pretty well thumb its nose at anyone who dares to question the ethical basis of the fundamental advertising of the industry—manufactured comparative prices that do not comply with rules followed by (and enforced against) other forms of retailing.

The only thing that can be said good about the industry in recent years is that some, such as Best Products Company, no longer try to hide the price paid by millions and millions of customers in the product code. But the industry still uses comparative prices that generally are not representative of the prices charged by a significant number of competitors in markets where they have their stores.

BBB apparently awoke from a deep dream of sleep and saw a vision writing in their office saying—go check the comparative prices in the catalogs of catalog/showrooms. So they did—they checked 74 products in 15 cities for a total of 1,775 comparisons. To their surprise (but of no surprise to the world of retailing at large), they discovered that in 74% of the cases the reference prices were at least 5% higher than prices charged by competitors.

With this world-shaking news, they issued a press release on July 7, 1980 (for a free copy write to: Council of BBB, 1150 - 17th St., NW, Washington, DC 20036).

RT wrote asking for the full report and Mr. J.K. Orr, Vice President, Industry Standards Division replied, "The survey data . . . is not available for release." This places the press release in the same category as the self-serving statements in the front of catalogs.

Whom are you to believe? The catalog/showrooms say they try to make their comparisons generally accurate and do not tell you how; the BBB says they are generally inaccurate but won't offer proof.

RThought: The shame should be much greater for the BBB because the BBB is supposed to be a protector of the consumer and thus should be open and honest with the consumer. RT readers who are members of the BBB might want to investigate how it became such a secretive organization.

DOES SEARS READ RT CAREFULLY?

For years RT has been telling readers that they should subscribe to and study **Apartment Life** (1716 Locust St., Des Moines, IA 50336 $9.97/yr.) because apartment living, particularly for singles and young cohabs, is a growing part of our society. In the October 1980 issue, Sears became the first major retailer to take space in the magazine—9 pages in full color. (Ethan Allen Galleries was the only other major retailer—if one can call a franchisor a retailer—to have a full page.)

RThought: It is unfortunate that whoever was responsible for 9 pages of full color—a significant amount of money—obviously failed to learn something about the magazine and the readers. Most live—and worry about decorating apartments—in metropolitan areas. Most are worried about getting items that will serve multiple purposes. This will permit more things to take place in an apartment that is too small—but all they can afford.

Against this background, Sears offered 8 scenes of furniture on a deck or lawn overlooking the central California coast. Not one iota of attention was paid to the interest of the readers of **Apartment Life**. (The sole non-coastal scene was for carpeting—a strange choice of items inasmuch as none of the 5 decorated apartment scenes in the October issue that showed a floor showed any carpeting—all had rugs!).

It is unfortunate for Sears, for apartment dwellers and for **Apartment Life** that Sears will probably conclude that the advertising didn't pull and thus the medium was no good; not because the advertising was wrong.

RThought: It is still safe to say that major retailers (department stores, national chains, or furniture chains) have failed to merchandise to the fastest growing segment in our society.

DO INDUSTRY OPERATING STATISTICS REALLY HELP?

One of the functions served by retail trade associations is the collection, analysis and publication of operating figures of member firms. Too often the publication of the figures rather than the usefulness of the figures is the goal of the association.

It is true that heads of retail trade associations are not selected because of their statistical skills. Thus they seldom can perceive the deceptiveness of publishing averages—especially when the figures being averaged are percentages (percentages are a relationship between two numbers and thus do not provide the same result that would be obtained by using the numbers themselves).

First let me deal with averages. While he was alive, Nelson Rockefeller and I enjoyed an average income of about $5 million a year. That is the simplest of averages—just two numbers. But does it give you any information about my income? It may tell you that Rockefeller had an income of about $10 million a year—but not much about mine.

Second, consider that Dolly Parton has an average circumference of 32 inches. So does many a barrel. But in Dolly's case it is the deviation from the average that is significant.

Now let's look for a minute at the averaging of percentages. One can average anything—but it doesn't give meaning to the result. Let us assume that two stores are involved and one has mark-downs of 10% and the other of 20%. The simple thing is to say that they average 15% mark-downs. But is it true?

Let's take these two stores, one doing $5.1 million and the other $9.9 million (these would fall in the same size category within the National Retail Merchants Association [NRMA] reports).

Al Wineman 12/22/80

In our first case, we could have the following basic numbers:

Store	Sales	Mark-down %	Mark-down $
A	$5,100,000	20%	$ 510,000
B	9,900,000	10%	1,980,000

In this case, the combined volume is $15 million, and the combined mark-downs are $2.49 million or 16.6%, not 15%.

We could have:

Store	Sales	Mark-down %	Mark-down $
A	$5,100,000	20%	$1,020,000
B	$9,900,000	10%	990,000

In this case, the combined volume is the same, but the combined mark-downs are $2.01 million or only 13.4%.

In many cases, the reporting association collects information only in percentages. To improve those reports, the information collection system must be modified, or only median and interquartile ranges should be published.

The second problem arises with the development of goal figures. For many years, the NRMA published "goal" figures. The first stab at developing a "goal" figure was to make a presumption of which direction was "good," and the average of the 25% of the stores reporting top "good" figures was published as a goal.

It was assumed, for example, that a high initial mark-up was best (which helped make room for discount stores) and that the lowest selling payroll percentage was good (which drove customers out of service stores). Later this was switched to taking the 25% of the stores with the highest operating profit—but the operating profit was measured as a percentage of sales rather than as a percentage of capital invested or equity. This was true even though the return on equity was reported, calculated and published in the same report.

In more recent years, NRMA has computed one figure—the arithmetic mean of the interquartile range. What this means is that for each expense category they made an array (a listing in order of size) of the reported percentages, eliminated the highest quarter and the lowest quarter, and then computed the arithmetic average (add up each percentage and divide by the number of figures included) which was supplemented by showing the spread between the lowest and highest of the middle half of the stores. This does eliminate any concept of which direction is the "good" direction.

The problem of obtaining useful figures, however, depends upon two other factors. First, the stores reporting must be sufficiently similar that the report does not combine apples and oranges and call the results "fruit." Second, there must be enough reports—enough to conceal the identity of all reporting stores and enough to permit some segmentation (again without revealing identity) if data of superior stores is desired.

In industries such as the discount industry, with fewer than 40 firms reporting and with firms varying widely in operating philosophies (central distribution vs. direct shipments), store size, total volume and merchandise mix, it is difficult to segment into meaningful groups.

The situation is only slightly better with the report on food chains where about 55 chains report their operations. The supermarket industry is somewhat more uniform in operation than the discount store industry which makes segmentation and analysis, with a 75% larger reporting basis, somewhat more meaningful.

Where the figures can become really useful is in areas such as men's wear stores and hardware stores when a substantial part of the industry consists of single store operators and a large number of stores do report.

In both these industries good "goal" figures, based on identification of goal stores as those with the highest return on equity, are developed. The reporting group is large enough for meaningful distribution by size and geographic region. In the case of the National Retail Hardware Association, they report separately for hardware stores, home improvement centers and lumber yards/building material dealers separately.

RThought: If you are a user of these figures, understand their limitations before placing heavy reliance on the figures. If you are an association, include a warning on the limitations of the published data so that those who are not familiar with those limitations are not hurt rather than helped by your publication.

Von's did something to get the vote out in Los Angeles—The ad reproduced in Supermarket News (11/10/80) showed a headline, "Show the nation L.A.'s Bicentennial Spirit. Vote." The editorial copy urged people to take an active part in electing leaders capable of acting on their behalf. As an inducement, the ad illustrated four 25¢ coupons (one each for use in the meat, produce, bakery and deli departments) that would be given if the customers showed their voter's stub. If more retailers would follow such a practice, a Tuesday night could become one of the biggest "days" of the year!

Why is it that no one ever speaks up except the "vocal minority?" In covering the action taken by Macy's New York to charge a flat $2 alteration fee on both men's and women's slacks in the $15-$30 range, Daily News Record quoted one department store official as saying, "It's assumed that the vocal minority is going to prevail . . . so why fight." The number of women whom I have heard complain about the uneven alteration practice for similar merchandise is far more than a "vocal minority." It is just that the activists of the majority have not brought about a correction of the problem.

Sears trades advertising for reduced fine. Automotive News for September 1980 reported that a fine originally set for $189,000 by the Environmental Protection Agency for putting leaded gasoline in cars requiring unleaded gas was reduced to $20,000 when Sears agreed to send messages to all their charge customers (largest list in the world) about the benefits of clean air. In addition Sears agreed to put readers on their vehicles.

If news magazines can't get the right date on the cover, can you believe their contents? On November 15, I received **Business Week** and **Forbes**, both dated November 24! Would you have much confidence in a newspaper dated 5 days from now—so that it could have a longer life in the paper rack?! If a publisher is willing to compromise his publication to make a few extra dollars, how willing will he be to compromise the editorial content to make even more money?

Jordache continues to show attrocious taste—made possible by retailer support. Apparently, Fairchild Publications no longer wants their ads. Now a Jordache TV ad showing 8 year olds bumping bottoms has been selected as the worst taste TV ad of the year.

Coffee use declines (perhaps as people fight stress!). Per capita consumption has dropped from 39 gallons per year in 1963 to 35 in 1970 and to 28 in 1979. Cups per day have dropped in the 1975-1979 period from 2.20 to 2.06 or 6.4% with a 16.4% drop in home consumption (1.77 cups to 1.48), an increase of 11.1% (0.18 to 0.20) in consumption at eating places and a 52% (0.25 to 0.38 cups) increase in consumption at work. I can hear that snack truck's horn right now—everybody out of the office!

Productivity—the Carrefour way. In 1979 Carrefour, in 45 stores in France totaling 390,100 square meters of selling space did $3.6 billion in sales (exclusive of the value-added tax). So you won't have to reach for your calculator, that comes out to $860 per square foot of selling space. Just to make you feel better, in 256,800 square meters of selling area in 29 stores in Brazil, Spain and Italy, they did **only(?)** $270 per square foot. The overall gross margin of the company dropped from 16.66% to 16.06%, but they still produced a net profit **after taxes** of 1.6% of sales.

Kroger sure knows how to get publicity in San Francisco even though they have no stores there. CBS radio broadcast the story of the Iranian student who was arrested and brought to trial for stealing one (I repeat ONE) seedless grape in June. The judge found the defendant not guilty for lack of criminal intent after hearing a police officer testify that he saw the student eat one (I repeat, ONE) grape! **RThought:** Someone in the management structure failed to inject common sense.

MCI Telecommunications Corporation was organized enough to win a $1.8 billion triple damage suit against AT&T: But, as a computer based company, they have their weaknesses. Their May statements contained a note saying, "Due to a system error we have inadvertently neglected to bill some customers for several calls made during late March and April." So much for their skill with computers—which is not up to their skill in court.

Gold coins, anyone? Texas is a hot spot for companies buying gold coins and gold and silver jewelry. The Dallas Morning News TV section had 5 such ads—of which one was Sanger-Harris. Their claim that "We're paying top prices" was almost true (their minimum price was high on 4 out of 8 coins listed in all ads); but they certainly bring permanence, financial stability and integrity to the gold and silver buying picture.

Isn't it wonderful that retailing is so simple? Inside Retailing (Box 981, P.O. Darlinghurst, NSW 2010 Australia, $135 Australian/year) reports that John Spalvins, the new head of David Jones, a major department store chain, has had no retail experience and yet is completely confident that his success as a managing director of a steamship company is proof of his ability to turn around a retail store. As he is quoted, "Obviously it is a question getting the facts, making logical and sensible decisions, and acting on them." Perhaps Mr. Spalvins should meet Mr. Joseph Ris of France, who was going to use his outstanding success as executive director of sales and marketing for Chrysler Motors Europe, to turn around Korvettes. Korvettes is now liquidating and has sold all their inventory to a specialist in "going-out-of-business" sales. Mr. Ris has his magic formula—"Personally, I have always felt that communications were paramount—the explanation of objectives in clear terms. Failures most often come because that is not done." Perhaps Mr. Spalvins and Mr. Ris could combine their two simple explanations of success in retailing and form an international consulting firm. Just as soon as Mr. Spalvins is available.

New downtown departments—Debenhams in Great Britain is talking to dentists, opticians, chiropodists, accountants, real estate agents and pharmacies about renting space. This brings a mutual benefit—lower rent in inner city areas for the tenant; and more traffic for the retailer. With many downtown U.S. stores much too large, there would appear to be a lot of low-cost space available in department stores.

Energy out of waste, according to Amfac. Somewhat removed from operating Liberty House stores, Amfac reports on a new use for bagasse (what is left of sugar cane after the sugar is removed). By burning it for heat (to make more sugar) and electricity, they save 450,000 barrels of oil a year, providing 20% of the electricity on Kauai. They have now proposed to build a plant for Honolulu that would burn waste along with bagasse to generate power equivalent to needs of 20,000 people.

HOW WE FOOL OURSELVES

Alan Gilman, after a long career with Federated Department Stores during which he rose to Chairman and CEO of Sanger-Harris in Dallas followed by a like position at Abraham & Straus, is now the President and CEO of Murjani International, Ltd. which hopes this will be a $250 million year on the basis of Gloria Vanderbilt jeans.

In reporting the appointment, **Women's Wear Daily** quoted Gilman as saying, "I like to think of myself as a manager and not as a retailer."

There seems to be a disease among modern managers that causes them to believe there is a skill called "managing" that has universal application. One doesn't have to know anything about the industry of temporary repose in order to run a significant component of it. Sort of like trial lawyers not having to know the law or track coaches not knowing the techniques of each event.

We all laugh when we watch the number of incompetent and unqualified politicians who proclaim themselves capable of being President, Governor, Senator or Representative–and wonder how they can kid themselves that way. Then we nod approvingly when an executive makes a similar nonsensical claim.

Gilman considers the goal of Mohan Murjani of reaching $1 billion in sales by 1985 as reasonable "if we take a segmented approach to consumer types." I have tried to fathom that basis for quadrupling sales–which he said will be accomplished by fanning out into other product areas and other status or design names to reach the broadest possible market. It seems to me that he is saying that they will quadruple sales by going into fields in which neither Gilman nor Murjani have experience.

There is always a pragmatic test of corporate goals. Is it realistic? I considered the number of apparel companies that had reached $1 billion in sales–it didn't take long–and concluded that not many firms reach that goal. Then I tried to find firms that, when above $200 million in sales, had proven able to maintain a 32% per year compounded growth rate for 5 years and I drew a blank. (I checked the Guiness Book of Records and they listed none.) Even Levi Strauss in their smaller days could "only" triple over 5 years–a compounded rate of about 25%.

RThought: Confidence in one's ability is a very important factor; but not the only factor. Early in my days as a management consultant, I discovered my own fallabilities–and they embarrassed me!

THE MEETING U.S. RETAILERS CAN'T HOLD

In the November RT, we reviewed the Retail Council of Canada conference "Partners for Progress: the retailer/supplier relationship." This was a meeting that could not be held in the United States.

Now the results are in. Council President, Alasdair McKichan, summarized the conference in the November issue of the **Canadian Retailer**. He observed that the conference recorded one of the highest "satisfaction levels" ever achieved among the delegates in an event in which the Retail Council has participated. (Note: such a conference would attain the same high rating in the United States–if trade associations would cease blocking such an effort.)

The following is taken from the summary in which McKichan indicates the questions raised by the delegates.

The Ethics of the Relationship

Is top management recognizing its responsibility to establish the moral tone of the organization?

Are objectives for management realistic or are they so unattainable that they will lead to problems, including indiscreet or unethical behavior?

Does your company have a formal code of conduct for its buyers?

Is there not a need for a set of guidelines covering vendor/retailer relationships?

Is there need for an Ombudsman function to be provided by some inter-trade organization?

RThought: Someday, hopefully, such a meeting will be held in the United States.

HELPING SMALL MERCHANTS

In the United States, small merchants are given an opportunity to operate in some shopping centers (after enough 5A1 tenants have been signed up to finance the construction) and allowed to sink or swim on their own. They get relatively little help from the center in improving their retailing skills.

Inside Retailing (Philip Luker Associates, Box 981, P.O. Darlinghurst, NSW 2010 Australia, $135 Australian/yr.) reports that a shopping center developer, Lend Lease Ltd., flew 17 merchants from Perth to Sydney (equal to San Francisco to NYC) for a 6-day visit with merchants in Lend Lease's 6 centers around Sydney plus visits to other centers. Experts talked to them on store design and layout and on merchandising principles. Lend Lease found the program so successful they intend to do more for their outlying centers.

In the United States, some community schools do have programs for retailers and do try to enroll small merchants–but the schools seldom get much support from other retailers, retail organizations or shopping centers.

Over the past 10 years or so, I have participated in a unique program for small town newspapers developed by a long-time friend who is a consultant to newspapers–Herman Silverman. He has his client/publisher invite all of the local merchants to dinner and to hear a seminar on retailing. After dinner, Herman and I put on a 2-hour seminar broken into 4 parts. I start with "Why advertise?" He then does "How to plan your advertising" and "How to work your plan." I close with a rousing presentation on the fundamentals of good merchandising under the title "If I had a store in _________." The names that I have filled in–Vacaville, Woodland, Fairfield, Tracy, Novato, Menlo Park, Camarillo, Lodi, Napa and more–are towns unknown to most RT readers. But in each of these towns, groups of 125 to 300 merchants have gotten an assist in good merchandising because of interest on the part of their local newspaper.

THE NEW MARKETING OF CPAs

Earlier this year, The Journal of Accountancy, the OFFICIAL PUBLICATION of the American Institute of Certified Public Accountants (and thus the expression of their thoughts, dreams, ideals and immorality) ran an article entitled, "The Marketing Perspective: The CPA's New Image." It was written by a consultant, John G. Keane of Managing Change Incorporated, and the holder of the degree of Doctor of Philosophy. (As a consultant, I was embarrassed by his suggestions.)

He quoted how a five-office CPA firm varies its fees according to client resistance. As a consultant, I urge you to resist your CPA.

The most disappointing part of the article was a box-item that was called, "Accounting firm marketing success story" in which he reported that a large, local real estate company was converted to a client status as a result of a CPA partner belonging to the same country club as a key executive in the real estate firm. They developed their conversation on the basis of sports and politics. The CPA provided an article from **Fortune,** went fly fishing, attended a sporting event and then with two other partners visited the prospect and talked about their firm's capabilities. A $65,000 a year account was obtained for $3,300 out-of-pocket expense.

RThought: If you select a CPA in this manner, you may well deserve any problems that follow. This raises some question, of course, about the degree of independency that the accounting firm exhibits. For example, does the firm have to continue to take the executive fly fishing and to sporting events? Do they have to continue to pick up the tab?

Is this really what should be considered a success story for the new marketing of accounting services?

Why does AICPA officially sanction such conduct by publishing it in their official journal?

COMMERCIAL BRIBERY—BY FAMOUS HOTELS

We reported (RT Oct 80) on how the Sheraton Hotel in West Lafayette, Indiana, attempted to suborn a secretary in the Credit Research Center at Purdue University to refer visitors to the Center to stay at the Sheraton by using a point system that could result in a free dinner or a free "Tropical" weekend for the secretary.

Some months ago, I stayed at the Holiday Inn in Bentonville, Arkansas, a hotel frequented by many salesmen (on expense accounts) seeking to sell Wal-Mart Stores. As usual, I took my 10% discount (through a variety of organizations to which I belong such as Airline Passengers Association and American Association of Retired Persons) expecting a billing for the regular rate less 10%. Instead, I got a billing for the full amount and a refund in cash—a way of helping the people on expense accounts to cheat their boss (or the IRS).

As a result of the October 1980 RT item, Jim Edgar of the consulting firm of Edgar, Dunn & Conover, sent us a letter he had received (as a member of The Board Room of Alaska Airlines) indicating that the Sheraton Anchorage will give guests staying there a $10 Eddie Bauer (subsidiary of General Mills) gift certificate for each night the person stays—and by showing your Board Room membership card you get an additional $10 certificate.

RThought: We are back to the days of the trading stamp wars at service stations—where the company reimbursed the artificially inflated gasoline prices (all of 55¢ or so) while the employee kept the 15 stamps per gallon for his own use. It may well be that just above the signature on expense accounts you should place the following statement:

> I certify that the above statement of expenses is accurate and that I have deducted the value of any premiums or gifts received or the amount of any rebate paid me in return for any expenditure above.

NEW OUTLET CHAINS

It has long been known that major retailers make lots of mistakes in buying—both the wrong items and too much. They even comment in their annual reports on these mark-downs being a cause of profits being below expectations.

But soon these mark-downs will become a great resource—input to outlet stores!

Western Real Estate News ($42.50/yr. 3057 - 17th St., San Francisco, CA 94110) reported in the October 20, 1980 issue that Sears has leased 30,000 sq. ft. in Simi Valley, CA "for a new branch surplus store."(!) And they also reported that Emporium-Capwell has leased 20,000 sq. ft. in San Jose, CA "for a new branch clothing clearance center."

Apparently Sears and Emporium-Capwell buyers are doing a great job generating "outlet" type merchandise! Soon both may be like W&J Sloane, a fine old furniture company, that once had more outlet stores in New York City than they had first quality stores!

SHORT SHORTS

Is this how The Bon Marche balances inventory? In January, The Bon sent out a letter unilaterally imposing penalty charges on vendors including a statement that defective goods returned without authorization and not accepted by the vendor will be donated to charity. One very responsible vendor wrote in reply, "We have, in the past, accepted merchandise from you without authorization. However, this experience has proven that The Bon Marche abused the privileges they are requesting. We have received merchandise that is over one year old and not damaged. We have received merchandise with footprints embedded into the garments. We have received merchandise where entire leg seams have been maliciously ripped. We have received merchandise which has been intentially damaged." We trust that most retailers find more ethical ways of disposing of excess inventory.

Academe has its problems with business books. INC., the magazine for medium size businesses, reviewed "Corporate Diversification: Entry, Strategy, and Performance," by E. Ralph Biggadike which originated as a prize-winning doctoral thesis at Harvard Business School. The reviewer closed with, "To a business seeking down-to-earth guidelines for expansion, that fact (Note: that it took 8 years for subsidiaries to earn a profit) is not quite so discouraging as this sample of what's garnering awards among Ph.D.'s these days."

WORDS TO DO BUSINESS BY

I am grateful to Marshall Kline, of the Marshall Kline Buying Service in Los Angeles, for bringing to my attention the words that French Historian Elie Halévy wrote in 1895:

> **Pessimism is nothing but a state of mind, whereas optimism is a system, the finest and the most philosophical invention of the human mind. Optimism is a creative philosophical attitude because it encourages taking advantage of personal and social crises for the development of novel and more sensible ways of life.**

And I am grateful to Chubb Companies for an ad quoting their founder, Hendon Chubb (1874-1960):

> **. . while an insurance policy is a legal contract that expresses our *minimum* responsibility, there are many occasions when equity demands that we recognize a *moral* obligation beyond the strict legal terms—that is always a consideration in our settlements.**

RThought: Your future is unlimited if you deal in optimism and moral obligation.

Robert Kahn, Editor
Retailing Today
P.O. Box 343
~~LaFayette, California 94549~~

FN 12-1

Date February 19, 1981

Permissions Editor:

I am preparing a textbook on retailing

to be published by Prentice-Hall, Inc. on or about January

My book will make approximately 550 pages and will be case bound ☒ paper bound ☐

Trade sale: (est. price 18.95) (est. price)

May I please have your permission to include the following:

In his monthly publication, Retailing Today, Robert Kahn tells of a major retailer who sent out a letter unilaterally imposing penalty charges on vendors. The letter included a statement that defective goods returned without authorization and not accepted by the vendor will be donated to charity. One vendor wrote in reply: We have in the past accepted merchandise from you without authorization. However, this experience has proven that you abuse the privilege you are requesting. We have received merchandise from you that is over a year old and not damaged. We have received merchandise with footprints embedded into the garments. We have received merchandise where entire leg seams have been maliciously ripped. And we have received merchandise which has been intentionally damaged."

in my book and in future revisions and editions thereof, including

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Robert Kahn, Retailing Today, Volume 15, No. 12 (December 1980), p. 4.

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I would greatly appreciate your consent to this request. Please complete and return the release form below. A copy of this letter is enclosed for your files.

Sincerely,

William H. Bolen, Ph.D.
Department of Marketing
Landrum Box 8154
Georgia Southern College
Statesboro, GA 30460 (address)

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Name/Title Robert Kahn, Publisher

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